OFFICE OF MANAGEMENT AND BUDGET

600 East Boulevard Avenue, Fourth Floor • Bismarck, North Dakota 58505-0400

January 25, 2005

To the Governor, Legislators and Citizens of the State of North Dakota:

In accordance with North Dakota Century Code (NDCC) section 54-44-04(14), we are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the State of North Dakota for the fiscal year ended June 30, 2004. This report has been prepared by the Office of Management and Budget. The financial statements contained in the CAFR have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments, as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the state's management. To the best of our knowledge and belief, the information contained in the CAFR is accurate in all material respects and reported in a manner that presents fairly the financial position and results of operations of the State's primary government and the component units for which it is financially accountable. All disclosures necessary to enable the reader to gain an understanding of the State of North Dakota's financial affairs have been included.

The CAFR is presented in three sections: Introductory, Financial and Statistical. The introductory section contains this transmittal letter, Certificate of Achievement for Excellence in Financial Reporting, the State organization chart and a list of principal officials. The financial section includes: the independent auditor's report on the basic financial statements; Management's Discussion and Analysis (MD&A), which provides an introduction, overview and analysis of the basic financial statements; the basic financial statements, which present the government-wide financial statements and fund financial statements for governmental funds, proprietary funds, fiduciary funds, and component units, together with notes to the basic financial statements; required supplementary information, other than MD&A, which presents budgetary comparison schedules; and the supplemental financial data which includes the combining financial statements. The statistical section includes a history of selected financial and demographic information.

The State's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the costs of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

In compliance with State statute, the Office of the State Auditor (SAO) audited the State's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and evaluating the overall financial statement presentation. Their examination was conducted in accordance with GAAP and the standards applicable to financial audits contained in *Government Auditing Standards* as published by the Comptroller

General of the United States. The SAO concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the State's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report

The State of North Dakota is also required to undergo a single audit in conformity with the provision of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs, are included in a separately issued biennial single audit report.

GASB Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

The State of North Dakota provides for a full range of services, including education, health and social services, highway maintenance and construction, law enforcement, judicial, public safety, business regulation, community and economic development, and natural resource development. The State's reporting entity reflected in the CAFR includes all the funds of the state as legally defined, as well as all of its component units in conformity with the requirements of GASB Statement No. 14. Statement No. 14 provides that the financial statements should emphasize the primary government and permit financial statement users to distinguish between the primary government and its component units. Consequently, the transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information pertaining to the discretely presented component units is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position. The State's reporting entity is described more fully in Note 1A to the basic financial statements.

The State operates through a biennial appropriation, which represents agency appropriations recommended by the governor and presented to the Legislative Assembly at the beginning of each legislative session. The budget is legally required to be adopted through passage of appropriation bills by the Legislative Assembly and signed by the governor. The governor has line item veto powers over all appropriations subject to legislative override. Once passed and signed, the appropriation bill becomes the departments' financial plan for the next two years. Changes to the appropriation are limited to Emergency Commission authorization, initiative, allotment, or referendum action.

The State does not budget by fund nor does it formally budget revenues. The legal level of budgetary control is at the agency, appropriation authority and expenditure line item level. The State's budgetary policies and procedures are further explained in Note 1D on the notes to the basic financial statements.

ECONOMIC CONDITIONS AND OUTLOOK

North Dakota's economy is in solid shape. Private service-producing industries have paced the State's recent gains, and natural resource-based industries are expanding as well as a result of higher energy prices and investment by utilities. Agriculture continues to provide a boost to North Dakota's economy.

Taxable sales and purchases in the third quarter of 2004 were 5.9 percent ahead of the same period one year earlier. Taxable sales and purchases are expected to grow by 4 percent in 2005.

Throughout 2004 North Dakota's unemployment rate was consistently among the lowest in the nation. North Dakota's unemployment rate for November 2004 was tied for the lowest at 3.0 percent. In addition, wages and personal income continue to increase. Personal income in North Dakota increased by 7.7 percent in

2003, compared to a national average of 3.2 percent. The low unemployment rate combined with the growth in wages and personal income reflect a stable job market with a steady growth factor.

North Dakota currently has 21 oil rigs drilling, compared to 17 one year ago. The current price of oil is in the range of $42 per barrel. Actual collections are considerably ahead of projections due to the high price of oil. In addition, oil production continues to increase.

MAJOR INITIATIVES AND FUTURE PROJECTS

In December 2004 Governor Hoeven documented accomplishments to date in maintaining fiscal responsibility and sustaining economy growth, while providing for the basic needs of the citizens and proposed expansion in some areas.

The State maintained positive revenues throughout the recent economic downturn. North Dakota had the largest increase in per capita income growth and the second largest increase in wages last year. The ability of the State to manage its finances was nationally recognized when Moody's bond rating service increased the bond ranking from Aa3 to Aa2. To continue the fiscal responsibility into the future, policy changes have been proposed that will establish a minimum of $60 million in rainy day funds.

The future viability of the State is being enhanced through numerous economic initiatives. These include providing additional funding for the Trade Office, pursuing fair rates for rail traffic, and measuring economic development activity through performance measurement for entities that receive assistance from the State.

The establishment of a North Dakota Transmission Authority is providing the necessary mechanism to promote the power plants and enhance the capacity to export energy beyond the state borders. Other efforts in this area include expansion of the biofuel program with a western North Dakota malting and ethanol barley initiative, expanded incentives for wind energy farms, and preparation for building additional power plants.

North Dakota University System campuses are being used to generate economic growth while providing opportunities for employment through Centers of Excellence. These centers continue to promote research and commercialization of local products and ideas. The expansion of the NDSU Beef Center of Excellence will identify additional products available in the local industry and create a model integrated meat processing facility. New greenhouse facilities at NDSU will allow additional research work on North Dakota crops. North Dakota University student opportunities for careers have been enhanced through an internship program that is actively marketed and coordinated with Job Service North Dakota.

The needs of the citizens are being addressed in multiple areas. The most exposed citizens have been the individuals serving the military in the recent conflict. To provide for these individuals, bonus payments for military service has been combined with increased tuition credit. In addition, health insurance and retirement benefits will be continued for state employees mobilized in the National Guard or Reserves.

The needs of senior citizens and persons with disabilities have been met with increased Homestead Property Tax Credit for homeowners and renters. The unemployment benefit penalty for persons over 65 on social security is being repealed. Senior citizens are also benefiting from a single point of entry for long-term care and supportive services. This allows them to receive the home, community, and nursing home care at appropriate levels with the least restrictions on their lives.

Safety through law enforcement and crime prevention activities has been noteworthy throughout the year. Life sentences without parole for sex crime offenders involved in a death are being imposed. Civil commitments are enhanced to provide additional monitoring and supervision of dangerous sex offenders. Included in the supervision is the use of global positioning systems for felon sex offenders under probation. An additional drug treatment and incarceration facility, together with expanded drug courts as an alternative to incarceration, will provide additional safety features while recognizing the need in this area.

Educational excellence continues to be an ongoing activity. Teacher salary increases have occurred in the past four years through a system recognizing local responsibility combined with additional state funding.

Supplemental payments to property-poor districts allow the students to receive an equitable education. School districts have been cooperating through joint power agreements to reduce operational costs and redirect funding to the educational needs of the students.

FINANCIAL INFORMATION

The MD&A provides an overview of the State's financial activities addressing both governmental and business-type activities reported in the government-wide financial statements. In addition, MD&A focuses on the State's major funds: the General Fund, Federal Fund, School Permanent Trust Fund, Bank of North Dakota, Housing Finance, Workforce Safety & Insurance, and the University System.

Cash Management: North Dakota Century Code section 21-04-02 provides that public funds belonging to or in the custody of the State shall be deposited in the Bank of North Dakota. Cash balances, as required by law, are pooled by the State Treasurer and deposited in the Bank of North Dakota. All interest revenue is allocated to the General Fund unless state law (as outlined in the North Dakota Century Code) requires allocations of interest to other funds. For the fiscal year ended June 30, 2004, pooled deposits in the Bank of North Dakota yielded an average of .50 percent on a cash pool that ranged from $232 to $285 million. Cash is primarily invested in demand deposits and certificates of deposit in the Bank of North Dakota. Cash deposits not held in the State Treasury and controlled by various other state officials are generally held in interest bearing accounts.

Risk Management: The 1995 Legislature established the Risk Management Fund to pay damages for claims for which the state is liable. The statutory liability of the state is limited to a total of $250,000 per person and $1,000,000 per occurrence. The State purchases commercial insurance for claims in excess of coverage provided by the Fund and continues to transfer liabilities for medical malpractice and aviation to private insurance carriers. The 2001 Legislature established a single Workers Compensation account for state entities to be administered by the department that also administers the Risk Management Fund.

The State has several other funds that accumulate assets to cover risks that the state may incur. The State Fire and Tornado Fund insures against loss to public buildings, fixtures and permanent contents. The State Bonding Fund covers bonding of public employees and public officials. Workforce Safety & Insurance is a state insurance fund and a "no-fault" insurance system that covers the state's employers and employees. See Note 13 to the financial statements for additional disclosures on the State's risk management activities.

Pension Trust Plans: The State administers four major retirement systems: North Dakota Public Employees' Retirement System (PERS), North Dakota Highway Patrolmen's Retirement System (NDHPRS), the Teachers' Fund for Retirement (TFFR), and the Retirement Plan for Employees of Job Service North Dakota (JSND). Certain employees may elect to participate in a deferred contribution pension plan.

PERS is the largest of the defined benefit plan for which the State is responsible for providing funding. This plan covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. Total net assets of PERS at June 30, 2004, were $1.27 billion. The State also provides postemployment health-care benefits to members receiving retirement benefits from the PERS, NDHPRS, Retirement Plan for Employees of JSND, and certain retired judges. Additional disclosures relating to the State's pension funds are provided in the notes to the financial statements.

OTHER INFORMATION

Certificate of Achievement**:** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of North Dakota for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This was the 13th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the State of North Dakota received the GFOA's Award for Distinguished Budget Presentation for its 2003-2005 budget. In order to qualify for the Distinguished Budget Presentation Award, the State's budget document was judged to be proficient in several categories, including policy documentation, financial planning, and organization.

Acknowledgments**:** This report was prepared by staff members of the Fiscal Management Division of the Office of Management and Budget. Their dedication and efforts are greatly appreciated. We also extend our gratitude to the numerous individuals from virtually all the state agencies and institutions, especially the Office of the State Auditor, for their commitment to assist us in preparing this report.

Sincerely,

Pam Sharp, Director
Office of Management and Budget

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of North Dakota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

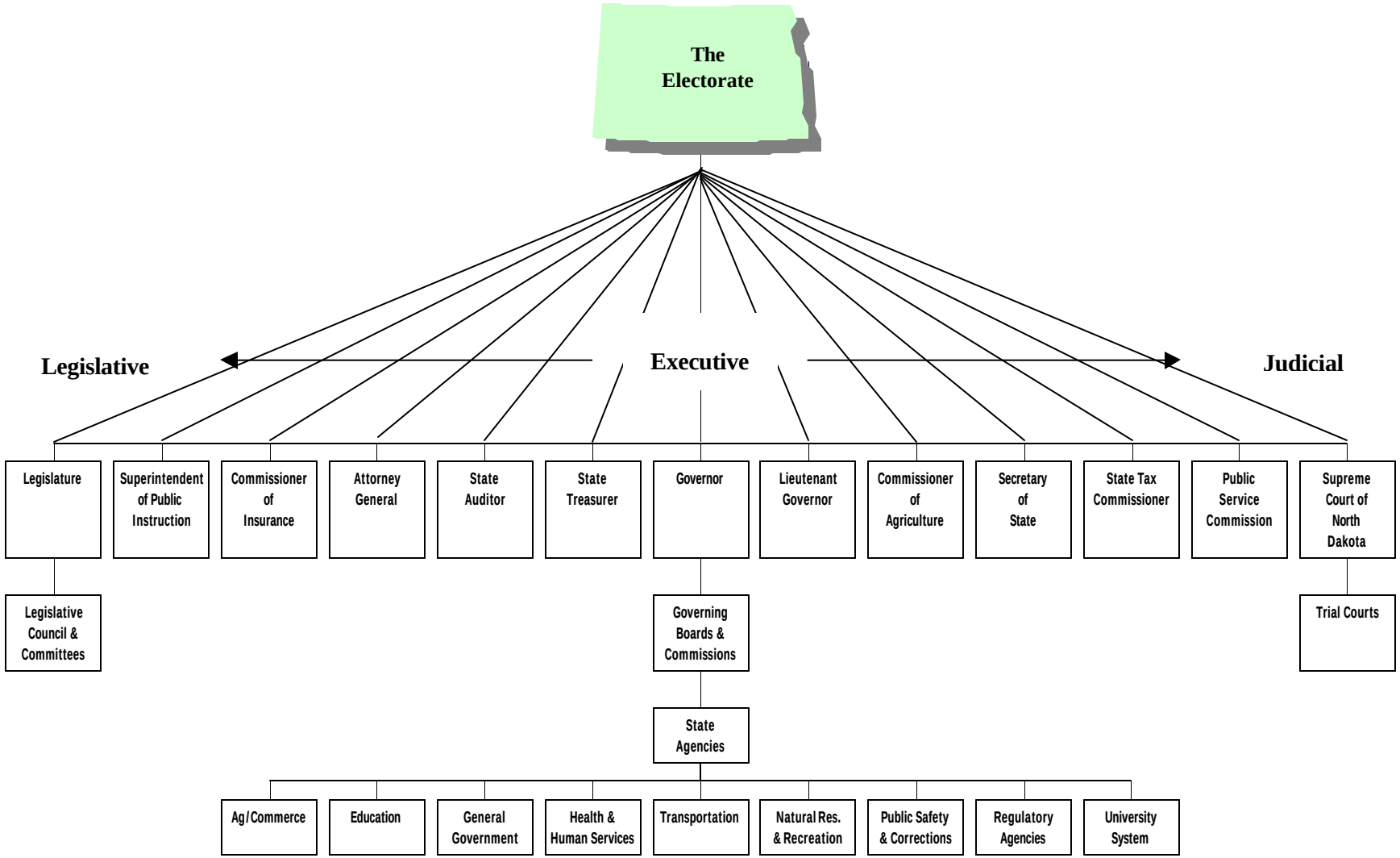
Nancy L. Zielke

President

Jeffrey P. Ener

Executive Director

STATE OF NORTH DAKOTA ORGANIZATIONAL CHART



NORTH DAKOTA
PRINCIPAL STATE OFFICIALS
June 30, 2004

ELECTED OFFICIALS

John Hoeven, Governor

Jack Dalrymple, Lieutenant Governor

Alvin A. Jaeger, Secretary of State

Wayne Stenehjem, Attorney General

Tony Clark, Public Service Commissioner

Kevin Cramer, Public Service Commissioner

Susan Wefald, Public Service Commissioner

Roger Johnson, Commissioner of Agriculture

Robert R. Peterson, State Auditor

Jim Poolman, Commissioner of Insurance

Dr. Wayne Sanstead, Superintendent of Public Instruction

Rick Clayburgh, Tax Commissioner

Kathi Gilmore, State Treasurer

LEGISLATIVE

Janet Wentz, Speaker of the House

Rick Berg, House Majority Leader

Merle Boucher, House Minority Leader

Lt. Gov. Jack Dalrymple, President of the Senate

Bob Stenehjem, Senate Majority Leader

David P. O'Connell, Senate Minority Leader

JUDICIAL

Gerald VandeWalle, Chief Justice, North Dakota Supreme Court

Carol Ronning Kapsner, Justice

Mary Muehlen Maring, Justice

William A. Neumann, Justice

Dale V. Sandstrom, Justice

STATE AUDITOR
ROBERT R. PETERSON

PHONE
(701) 328-2241
FAX
(701) 328-1405

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITAL
600 E. BOULEVARD AVE. – DEPT. 117
BISMARCK, ND 58505

INDEPENDENT AUDITOR'S REPORT

The Honorable John Hoeven, Governor
of the State of North Dakota

Members of the Legislative Assembly
of the State of North Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Dakota as of and for the year ended June 30, 2004, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of North Dakota's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following state entities and discretely presented component units:

Bank of North Dakota	Housing Finance Agency
Beginning Farmers Revolving Loan Fund	Job Service North Dakota
Board of University and School Lands	PACE and AG PACE Funds
Building Authority	Public Employees Retirement System
College SAVE Plan	Retirement and Investment Office
Community Water Facility Loan Fund	State Fair Association
Developmentally Disabled Facility Loan Program	Student Loan Trust
Guaranteed Student Loan Program	Workforce Safety and Insurance
	All Discretely Presented Component Units

The financial statements of the above entities reflect total assets and revenues of the government-wide financial statements and fund financial statements as follows:

	Percent of Assets	Percent of Revenues
Government-Wide Financial Statements		
Governmental Activities	29%	6%
Business-Type Activities	80%	36%
Aggregate Discretely Presented Component Units	100%	100%
Fund Financial Statements		
Major Governmental Funds		
Federal Fund	1%	3%
School Permanent Trust Fund	100%	100%
Major Enterprise Funds		
Bank of North Dakota	100%	100%
Housing Finance Agency	100%	100%
Workforce Safety and Insurance	100%	100%
Aggregate Remaining Fund Statements	83%	54%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Dakota, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 16 to the basic financial statements, the Bank of North Dakota elected to present an unclassified balance sheet because current assets are not matched with current liabilities. Presentation of a classified balance sheet would give the false impression that there is a liquidity problem at the bank. Presentation of a classified balance sheet for the Bank of North Dakota would be misleading to the extent that the financial statements may be materially misstated.

As described in Note 1 to the basic financial statement, the State of North Dakota adopted, effective July 1, 2003 Statement No. 39 of the Governmental Auditing Standards Board (GASB). Determining Whether Certain Organizations are Component Units (an amendment to GASB Statement 14).

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated January 25, 2005 on our consideration of the State of North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedules on pages 19 through 27 and 104 through 108 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of North Dakota's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and in, our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The data included in the introductory and statistical sections of this report has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion thereon.

Robert R. Peterson
State Auditor

Edwin J. Nagel, Jr., CPA
Director

January 25, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State of North Dakota's (the State's) Comprehensive Annual Financial Report presents a discussion and analysis of the State's financial performance, providing an overview of the activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:
The assets of the State exceeded its liabilities at fiscal year end by $3.89 billion (reported as net assets), an increase of $209 million from the previous year. The net assets of governmental activities increased by 4.6% while the net assets of the business-type activities showed an increase of 7.3%.

Fund Level:
As of the close of fiscal year 2004, the State's governmental funds reported combined ending fund balances of $1.3 billion, an increase of $113 million. Of this amount, $541 million represents unreserved fund balance with the remaining amount of $773 million reserved for specific purposes, such as debt service, capital projects, and permanent trust for education. At the end of the fiscal year, unreserved fund balance for the General Fund was $196 million.

The proprietary funds reported net assets at year-end of $1.6 billion, an increase of $107 million during the year.

Long-term Debt:
The State's total debt (bonds and notes payable) increased during the fiscal year to $1.52 billion, an increase of $56 million, 3.7%, which represents the net difference between new issuances, and payments and refundings of outstanding debt. During the year the State issued $153 million in bonds and $1.2 billion in notes.

More detailed information regarding these activities and funds is included in Note 3I.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which consists of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Statements

The government-wide financial statements provide a broad view of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at the end of the fiscal year. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the State's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets are an indicator of whether the State's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and

expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both statements report three activities:

Governmental Activities – The activities in this section are primarily supported by taxes and intergovernmental revenue. Most of the State's basic services, such as education, health and human services and transportation, are reported under this category.

Business-type Activities – These functions are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The Bank of North Dakota, Workers Compensation, and the University System are examples of the State's business-type activities.

Discretely Presented Component Units – These are operations for which the State has financial accountability but they have certain independent qualities as well. These entities operate similar to private-sector business and the business-type activities described above. The State has 17 discretely presented component units. Financial information for these entities is presented separately from the financial information presented for the primary government.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The basic fund financial statements begin immediately after the government-wide statements and provide more detail about the major individual funds. The State's funds are divided into three categories – governmental, proprietary, and fiduciary. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

Governmental funds -- Most of the State's basic services are reported in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on the near-term inflows and outflows of spendable resources. They also focus on the balances left at year-end that are available for future spending. Such information may be useful in evaluating whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds. The State has several governmental funds, of which three (3) are considered major individual funds. Those three are the General Fund, the Federal Fund, and the School Permanent Trust Fund. Each of these major funds is presented in a separate column in the governmental fund balance

sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance. The remaining governmental funds are combined in a single aggregated column on the basic fund statements. Individual fund data for each of these nonmajor governmental funds can be found in the other supplementary information section of this report.

Proprietary funds – Services for which the State charges customers a fee are generally reported in proprietary funds. The state maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds report activities that provide supplies and services to the general public. Internal service funds report activities that provide supplies and services for the State's other programs and activities. Like the government-wide statements, proprietary funds use the accrual basis of accounting. Although the basis of accounting is the same for the government-wide and proprietary fund statements, a reconciliation between these statements is presented because of the allocation of internal service funds' net income.

The State has four (4) major enterprise funds: The Bank of North Dakota, Housing Finance, University System, and Workforce Safety and Insurance. These four funds are each presented in separate columns on the basic proprietary fund financial statements. The remaining enterprise funds are combined in a single total column on these statements. Individual fund data for each of the nonmajor enterprise funds can be found in the other supplementary information section of this report.

The State's internal service funds are reported as governmental activities on the government-wide statements, because the services they provide predominantly benefit governmental activities. The State's five (5) internal service funds are reported on the basic proprietary fund financial statements in a single combined column. Individual fund data for the internal service funds is provided in the form of combining statements found elsewhere in this report.

Fiduciary funds -- The State acts as a trustee, or fiduciary, for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These funds, which include pension (and other employee benefit) trust, investment trust, private-purpose trust, and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because the State cannot use these assets to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following component units' financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule, which includes reconciliation between the statutory fund balances for budgetary purposes and the fund balances for the General Fund and Federal Fund as presented in the governmental fund financial statements.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, non-major enterprise, internal service, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

As noted previously, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (governmental and business-type activities) totaled $3.89 billion at the end of fiscal year 2004. Net assets increased 5.7% from the prior fiscal year.

State of North Dakota's Net Assets
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2003	2004	2003	2004	2003	2004
Current and Other Assets	$ 1,533,469	$1,676,535	$ 4,210,468	$4,393,340	$ 5,438,584	$5,745,690
Capital Assets	1,164,688	1,150,372	591,427	640,544	1,756,115	1,790,916
Total Assets	2,698,157	2,826,907	4,801,895	5,033,884	7,194,699	7,536,606
Long-Term Liabilities Outstanding	189,567	188,384	1,956,472	2,040,962	2,146,039	2,229,346
Other Liabilities	312,043	330,753	1,375,249	1,414,986	1,687,292	1,421,554
Total Liabilities	501,610	519,137	3,331,721	3,455,948	3,833,331	3,650,900
Net Assets						
Invested in Capital Assets, Net of Related Debt	1,049,298	1,027,252	462,653	499,222	1,511,950	1,526,474
Restricted	856,159	927,324	336,631	366,937	1,192,790	1,294,261
Unrestricted	291,090	353,194	670,890	711,777	961,980	1,064,971
Total Net Assets	$ 2,196,547	$2,307,770	$ 1,470,174	$1,577,936	$ 3,666,721	$3,885,706

The largest component (39.3%) of the State's net assets reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges and other immovable assets) less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources need to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets represent 33.3% of the State's net assets. These represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The remaining portion, unrestricted net assets, may be used at the State's discretion, but often have limitations on use based on State statutes.

The condensed financial information on the following page was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year:

State of North Dakota's Changes in Net Assets
(Expressed in Thousands)

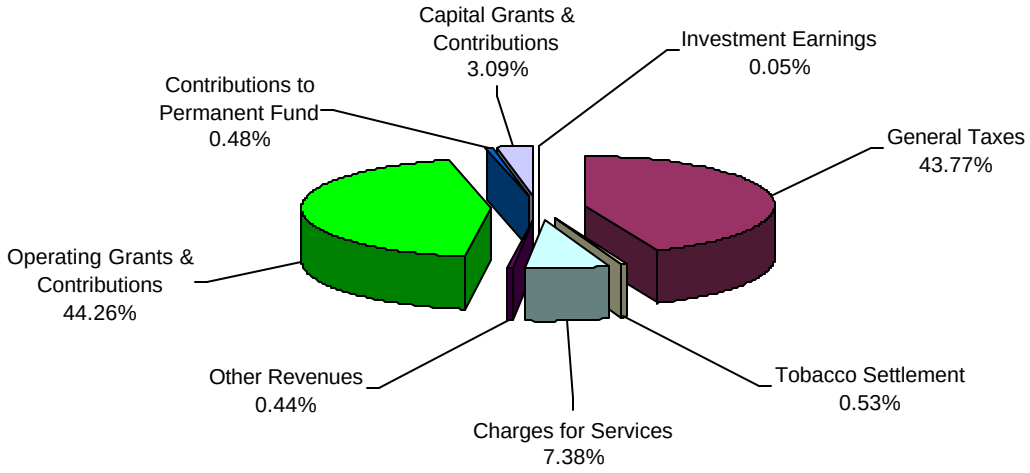
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2003	2004	2003	2004	2003	2004
Revenues:						
Program Revenues:						
Charges for Services	$ 151,891	$ 175,219	$ 654,832	$ 695,621	$ 806,723	$ 870,840
Operating Grants & Contributions	917,576	1,050,658	285,158	309,149	1,202,734	1,359,807
Capital Grants & Contributions	102,682	73,413	7,929	9,405	110,611	82,818
General Revenues:						
Income Taxes	248,068	266,253	-	-	248,068	266,253
Sales Taxes	550,221	599,065	-	-	550,221	599,065
Other Taxes	170,440	173,850	-	-	170,440	173,850
Investment Earnings	2,540	1,104	-	-	2,540	1,104
Tobacco Settlement	14,771	12,641	-	-	14,771	12,641
Other	9,647	10,529	-	-	9,647	10,529
Total Revenues	2,167,836	2,362,732	947,919	1,014,175	3,115,755	3,376,907
Expenses						
General Government	82,809	81,510	-	-	82,809	81,510
Education	451,683	466,909	-	-	451,683	466,909
Health and Human Services	776,275	803,601	-	-	776,275	803,601
Regulatory	15,490	15,105	-	-	15,490	15,105
Public Safety and Corrections	99,876	107,036	-	-	99,876	107,036
Agriculture and Commerce	53,051	57,533	-	-	53,051	57,533
Natural Resources	58,941	63,118	-	-	58,941	63,118
Transportation	352,535	360,231	-	-	352,535	360,231
Intergov'tal - Revenue Sharing	148,181	157,201	-	-	148,181	157,201
Interest on Long Term Debt	7,602	7,372	-	-	7,602	7,372
Bank of North Dakota	-	-	67,920	58,866	67,920	58,866
Housing Finance	-	-	55,745	49,646	55,745	49,646
Loan Programs	-	-	12,709	13,846	12,709	13,846
Mill and Elevator	-	-	90,835	92,261	90,835	92,261
State Fair	-	-	4,158	4,324	4,158	4,324
Unemployment Compensation	-	-	56,753	49,328	56,753	49,328
University System	-	-	614,872	656,811	614,872	656,811
Workers Compensation	-	-	171,406	125,728	171,406	125,728
Other	-	-	6,801	11,132	6,801	11,132
Total Expenses	2,046,443	2,119,616	1,081,199	1,061,942	3,127,642	3,181,558
Increase (decrease) in Net Assets Before Contributions and Transfers	121,393	243,116	(133,280)	(47,767)	(11,887)	195,349
Contributions to Permanent Fund Principal	13,127	11,262	-	-	13,127	11,262
Transfers	(159,389)	(152,422)	155,306	155,343	(4,083)	2,921
Increase (Decrease) in Net Assets	(24,869)	101,956	22,026	107,576	(2,843)	209,532
Net Assets - Beginning -As Restated	2,221,416	2,205,814	1,448,148	1,470,360	3,669,564	3,676,174
Net Assets - Ending	$ 2,196,547	$ 2,307,770	$ 1,470,174	$ 1,577,936	$ 3,666,721	$ 3,885,706

Governmental Activities

Governmental Activities increased the State's net assts by $101.9 million, compared to a $24.9 million decrease in the prior fiscal year. The largest increases in the State's revenues for fiscal year 2004 were from sales and use taxes, 8.9%, and individual income tax, 6.8%. Oil and gas taxes also increased nearly 5% this fiscal year. Increases in individual income tax collections reflect an increase in personal income. Additional revenues from sales and use tax and motor vehicle excise taxes indicate growing consumer spending and improving consumer confidence. Oil and gas taxes continue to increase because of record-high energy prices. There was a slight increase in expenses also. Education expenses increased approximately $15 million due to $5 million in additional grants to school districts under the Federal No Child Left Behind Act and $10 million in legislatively authorized state aid to schools. Health and Human Services expenses increased by $27 million primarily due to a rise in Medicaid and Food Stamps benefit payments.

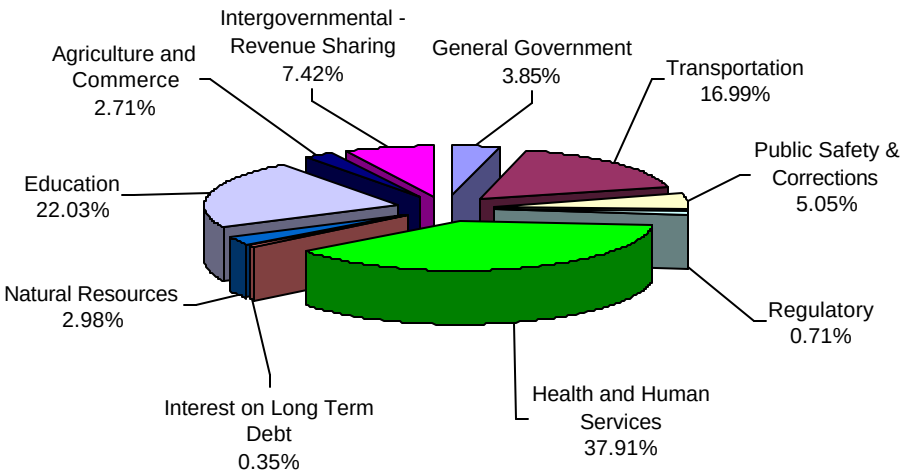
The following chart depicts revenues of the governmental activities for the fiscal year:

Revenues - Governmental Activities
Fiscal Year Ending June 30, 2004



The following chart depicts expenses of the governmental activities for the fiscal year:

Expenditures - Governmental Activities
Fiscal Year Ending June 30, 2004



Business-type Activities

Net assets of the business-type activities increased by $107 million during the fiscal year. Factors contributing to these results included:

The Bank of North Dakota's net assets increased $4 million because of a decrease in the transfers to the State's General Fund. The Bank's results of operations decreased 11.5%, from $33.1 million to $29.3. Results of operations are primarily dependent upon the level of net interest income, which is affected by the mix of earning assets and the interest rates earned thereon; and the amount of interest-bearing liabilities on which interest is paid and the rates of interest paid thereon. Net interest income declined because of shrinkage of the net interest margin.

Workforce Safety and Insurance's (WSI) net assets increased $68 million primarily due to underwriting and investing activities. Underwriting consists of pricing premiums to cover the workers compensation loss exposure. Annual premium rates are set to achieve break-even results for the current fiscal year; however, an independent actuarial analysis in fiscal years 2003 and 2004 indicated unfavorable development on prior years' loss reserves. The 2004 analysis revealed unfavorable development on prior years' loss reserves of $31.6 million. Changes in the loss estimates are recognized in the current year of operations. Underwriting activities' income revealed a $23.7 million loss during fiscal year 2004 as opposed to a $77.7 million loss during fiscal year 2003. WSI's investment income increased in 2004 to $91.4 million as compared to $80.4 million in 2003.

The net assets of Housing Finance did not change significantly, a 3% increase. The $2 million increase is due to income from program operations and investing activities.

The North Dakota State University System net assets increased $27 million during 2004 as a result of the year's activity. Investments increased $23.5 million due to market gains and re-investment of cash and equivalents into longer-term instruments as a result of increasing interest rates and improvement in the market. Grants and contracts increased $3.2 million, which is related to an increase in grant awards.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

As the State completed the year, its governmental funds reported combined fund balances of $1.3 billion, an increase of $113 million from the prior fiscal year. Approximately $541 million of this total amount constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds. The remainder of fund balance is reserved and is not available for new spending because it has already been dedicated to various commitments such as long-term receivables, debt service, and capital projects.

The General Fund is the chief operating fund of the State. At the end of current fiscal year, unreserved fund balance of the General Fund was $196 million and reserved fund balance was $1 million. Total fund balance rose during the fiscal year by $69.8 million, due to a $70 million increase in tax revenues. Sales and use taxes had the largest increase, followed by individual income taxes and then, oil and gas taxes. By the end of fiscal year 2004, General Fund revenues increased 8 percent from the prior year.

The School Permanent Trust Fund balance at June 30, 2004, improved by $72 million from the prior year due to the improvement in the conditions of the securities market. During 2004, the fund reported investment income of $76.6 million as compared to $24.7 million in 2003.

The Federal Fund balance at June 30, 2004, decreased $5 million due to increased expenses in various federal programs.

Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The increases in the net assets of the proprietary funds are discussed under "Business-type Activities" above.

General Fund Budgetary Highlights:

The State has a biennial appropriated budget. The fiscal year ended June 30, 2004, was the first year of the 2003-05 budget cycle. The original budget increased $6.8 million.

At the beginning of the 2003-05 budget cycle, there was an increase in the original budget of $6.8 million due to the authorized carryover of general fund appropriation authority from the 2001-03 biennium, which is reported as an appropriation adjustment for the 2003-05 budget. Some of those carryover amounts are noted below.

Several state agencies were authorized by appropriation laws to carryover a portion or all of their general fund appropriation for various purposes, including the Office of Management and Budget, $1.5 million, Legislative Council and Assembly, $.7 million, Department of Commerce, $1.2 million, and the University System, $2.2 million. Various other state agencies received smaller amounts of carryover totaling .7 million.

A few agencies received general fund carryover dollars from the 2001-03 biennium for capital construction projects. These carryover dollars totaled $.5 million.

There were no expenditures in excess of general fund spending authority.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2004, the State had invested $1.8 billion, net of accumulated depreciation, in a broad range of capital assets. Depreciation charges for this fiscal year totaled $185 million.

State of North Dakota's Capital Assets
(Net of Depreciation, Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2003	2004	2003	2004	2003	2004
Land and Land Improvements	$ 39,972	$ 43,280	$ 16,989	$ 18,565	$ 56,961	$ 61,845
Building & Building Improvements	197,223	205,930	333,548	378,292	530,771	584,222
Equipment	91,438	92,004	114,413	122,687	205,851	214,691
Infrastructure	658,205	602,089	90,854	89,943	749,059	692,032
Construction in Progress	177,850	207,068	35,623	31,056	213,473	238,124
Total	$ 1,164,688	$ 1,150,371	$ 591,428	$ 640,543	$ 1,756,115	$ 1,790,914

The total increase in the State's investments in capital assets for the current fiscal year was 2% in terms of net book value. However, actual expenditures to purchase or construct capital assets were approximately $323 million for the year. More than half of this amount was used to construct or reconstruct assets at the University Systems and for highway construction. More detailed information on the State's capital assets can be found in Note 3F to the financial statements.

Long-term Debt: Article X, Section 13 of the Constitution of North Dakota provides that the state may issue or guarantee the payment of bonds provided that all bonds in excess of $2 million are: secured by

first mortgage upon property and no further indebtedness may be incurred by the state unless evidenced by a bond issue; authorized by law, for a certain purpose; provisioned to pay the interest semiannually, and pay the principal within 30 years. The law authorized the bond issue must specifically appropriate the provisions to the payment of the principal and interest of the bond. The state has no general obligation bonds outstanding at June 30, 2004.

The State does have a number of revenue bonds outstanding at June 30, 2004. Current state statutes empower certain state agencies and the Building Authority, a component unit of the State, to issue bonds as part of their activities. This debt is not backed by the full faith and credit of the State of North Dakota. The principal and interest on revenue bonds issued by state agencies is payable from designated revenue sources. The Building Authority's bonds generate revenue to finance the construction and improvements of State buildings. Revenues derived from leases on the buildings fund the debt service requirements.

The Bank of North Dakota has advances from the Federal Home Loan Bank in the amounts of $525 million. The advances have a fixed rate of interest, ranging from 2.98 percent to 7.35 percent.

More detailed information regarding the State's long-term obligations is presented in Note 3I to the financial statements.

State of North Dakota's Outstanding Debt
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2003	2004	2003	2004	2003	2004
Revenue Bonds	$ 146,795	$ 146,384	$ 886,185	$ 835,535	$ 1,032,980	$ 981,919
Notes Payable	5,671	5,455	427,683	535,253	433,354	540,708
Total	$ 152,466	$151,839	$ 1,313,868	$1,370,788	$ 1,466,334	$1,522,627

The State's total debt increased by 3.9% during the current fiscal year.

ECONOMIC CONDITION AND OUTLOOK

At the end of December 2004, revenue collections exceeded the legislative forecast by $60.9 million, excluding the impact of the $56.5 million North Dakota received from the Jobs and Growth Tax Relief Reconciliation Act of 2003. In addition, oil tax collections have reached the statutory cap of $71 million that can be deposited into the general fund. As a result, $3.8 million has been reserved for transfer into the permanent oil tax trust fund at the end of the 2003-05 biennium. An additional $36 million is expected to flow into that trust fund by the end of the biennium.

The general fund revenue growth North Dakota has experienced in the first 18 months of the biennium can be attributed primarily to strong sales tax collections. Individual income tax collections and withholdings are also exceeding forecast. Both are good indicators that North Dakota's economy is growing. In addition, the high price of oil has also been of benefit to the general fund.

The outlook for the 2005-07 biennium is very good. A strong ending general fund balance coupled with a growing economy will provide the funding necessary to serve the citizens of North Dakota.

CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Questions about this report or additional financial information should be addressed to the State of North Dakota, Office of Management and Budget, 600 E. Boulevard, Dept. 110, Bismarck, ND 58505.

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

TABLE OF CONTENTS – BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

- Statement of Net Assets 1
- Statement of Activities 3

Governmental Fund Financial Statements

- Balance Sheet 5
- Reconciliation of the Balance Sheet—Governmental Funds to the Statement of Net Assets 6
- Statement of Revenues, Expenditures, and Changes in Fund Balances 7
- Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds to the Statement of Activities 8

Proprietary Fund Financial Statements

- Statement of Net Assets 9
- Statement of Revenues, Expenses, and Changes in Fund Net Assets 11
- Statement of Cash Flows 12

Fiduciary Fund Financial Statements

- Statement of Fiduciary Net Assets 14
- Statement of Changes in Fiduciary Net Assets 15

Component Unit Financial Statements

- Combining Statement of Net Assets 16
- Combining Statement of Activities 18

STATE OF NORTH DAKOTA

Statement of Net Assets
June 30, 2004

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and Cash Equivalents	$ 7,483,122	$ 483,934,356	$ 491,417,478	$ 24,733,184
Investments	732,175,269	1,674,610,291	2,406,785,560	578,796,307
Accounts Receivable - Net	35,273,724	68,663,743	103,937,467	6,786,935
Taxes Receivable - Net	169,134,234	-	169,134,234	-
Interest Receivable - Net	5,940,502	31,284,866	37,225,368	3,474,222
Intergovernmental Receivable - Net	144,181,135	45,314,401	189,495,536	-
Internal Receivable	468,649,478	-	144,463,972	-
Due from Fiduciary Funds	142,183	9,933	152,116	-
Due from Component Units	-	1,388,885	1,388,885	-
Due from Primary Government	-	-	-	10,420,105
Prepaid Items	3,092,393	1,473,120	4,565,513	-
Inventory	11,234,042	19,522,191	30,756,233	622,138
Loans and Notes Receivable - Net	95,673,151	2,048,148,999	2,143,822,150	5,894,007
Unamortized Bond Financing Costs	1,075,495	9,124,101	10,199,596	1,442,357
Pension Assets	2,480,673	-	2,480,673	-
Other Assets	-	9,865,477	9,865,477	7,825,233
Capital Assets:				
Land and Construction in Progress	250,348,020	49,621,113	299,969,133	8,103,567
Infrastructure - Net	602,089,424	89,943,139	692,032,563	549,874
Buildings and Equipment - Net	297,934,446	500,979,328	798,913,774	116,006,283
Total Assets	2,826,907,291	5,033,883,943	7,536,605,728	764,654,212

The Accompanying Notes are an Integral Part of the Financial Statements

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES				
Accounts Payable	141,198,886	24,990,087	166,188,973	4,757,957
Accrued Payroll	28,027,464	9,146,694	37,174,158	-
Securities Lending Collateral	62,919,132	280,513,479	343,432,611	-
Interest Payable	1,793,214	14,347,400	16,140,614	1,568,000
Intergovernmental Payable	33,402,972	1,661,088	35,064,060	-
Tax Refunds Payable	40,065,704	-	40,065,704	-
Internal Payable	-	324,185,506	-	-
Due to Fiduciary Funds	2,453	26,605	29,058	-
Due to Component Units	-	298,927	298,927	-
Due to Primary Government	-	-	-	1,388,885
Contracts Payable	6,982,441	939,397	7,921,838	-
Federal Funds Purchased	-	170,097,000	170,097,000	-
Reverse Repurchase Agreements	-	20,500,000	20,500,000	-
Claimant Liability	4,569,845	-	4,569,845	1,525,000
Deposits Held for Other Funds	-	-	-	-
Other Deposits	-	487,391,365	487,391,365	-
Amounts Held in Custody for Others	-	6,306,087	6,306,087	-
Deferred Revenue	11,791,893	62,232,316	74,024,209	4,716,083
Other Liabilities	-	12,350,176	12,350,176	23,099,736
Long-Term Liabilities				
Due within one year	13,943,797	241,760,496	255,704,293	12,208,874
Due in more than one year	174,439,656	1,799,201,707	1,973,641,363	187,124,837
Total Liabilities	519,137,457	3,455,948,330	3,650,900,281	236,389,372
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,027,252,008	499,222,000	1,526,474,008	112,595,978
Restricted for:				
General Government	5,406,604	-	5,406,604	-
Education	12,566,822	-	12,566,822	-
Health and Human Services	47,215,292	-	47,215,292	-
Regulatory Purposes	13,059,160	-	13,059,160	-
Agriculture and Commerce	13,688,158	-	13,688,158	-
Cultural and Natural Resources	56,341,458	-	56,341,458	-
Transporation	90,462,520	-	90,462,520	-
Capital Projects	8,906,206	2,420,937	11,327,143	-
Debt Service	15,670,785	80,257,900	95,928,685	71,638,000
Loan Purposes	-	46,968,136	46,968,136	89,334,000
Pledged Assets	-	143,023,000	143,023,000	-
Unemployment Compensation	-	72,785,081	72,785,081	-
Permanent and Endowment Funds - Expendable	18,139,109	12,541,510	30,680,619	-
Permanent and Endowment Funds - Nonexpendable	645,868,206	8,888,957	654,757,163	-
Other	-	50,916	50,916	208,894,741
Unrestricted	353,193,506	711,777,176	1,064,970,682	45,802,121
Total Net Assets	$ 2,307,769,834	$ 1,577,935,613	$ 3,885,705,447	$ 528,264,840

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Activities
For the Fiscal Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	$ 81,510,068	$ 21,798,406	$ 31,098,943	$ -
Education	466,908,523	3,443,449	206,861,216	-
Health and Human Services	803,600,511	19,339,252	590,157,677	20,000
Regulatory	15,104,651	19,476,543	3,352,906	-
Public Safety and Corrections	107,036,068	5,460,128	44,740,942	-
Agriculture and Commerce	57,532,612	20,260,986	19,700,451	-
Natural Resources	63,117,591	20,873,885	11,130,354	8,647,581
Transportation	360,231,121	64,565,890	143,615,231	64,745,153
Intergovernmental - Revenue Sharing	157,200,675	-	-	-
Interest on Long Term Debt	7,372,042	-	-	-
Total Governmental Activities	2,119,613,862	175,218,539	1,050,657,720	73,412,734
Business-Type Activities:				
Bank of North Dakota	58,865,964	88,549,000	-	-
Housing Finance	49,646,082	39,327,000	12,689,000	-
Loan Programs	13,846,154	16,980,295	460,486	-
Mill and Elevator	92,261,275	97,914,279	17,902	-
State Fair	4,323,777	3,201,041	310,541	-
Unemployment Compensation	49,327,620	64,644,433	3,046,308	-
University System	656,811,533	270,650,811	194,827,531	9,405,153
Workforce Safety and Insurance	125,727,859	99,083,053	95,416,258	-
Other	11,131,686	15,270,970	2,380,925	-
Total Business-Type Activities	1,061,941,950	695,620,882	309,148,951	9,405,153
Total Primary Government	$ 3,181,555,812	$ 870,839,421	$ 1,359,806,671	$ 82,817,887
Component Units:	$ 61,110,043	$ 27,969,195	$ 178,441,401	$ -

General Revenues:	
Taxes:	
Individual and Corporate Income Taxes	
Sales and Use Taxes	
Oil, Gas and Coal Taxes	
Business and Other Taxes	
Unrestricted Investment Earnings	
Tobacco Settlement	
Miscellaneous	
Payment from State of North Dakota	
Contributions to Permanent Fund Principal	
Transfers	
Total General Revenues and Transfers	
Change in Net Assets	
Net Assets, Beginning of Year, as Restated	
Net Assets, Ending	

The Accompanying Notes are an Integral Part of the Financial Statements

Net (Expense) Revenue and Change in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (28,612,719)		$ (28,612,719)	
(256,603,858)		(256,603,858)	
(194,083,582)		(194,083,582)	
7,724,798		7,724,798	
(56,834,998)		(56,834,998)	
(17,571,175)		(17,571,175)	
(22,465,771)		(22,465,771)	
(87,304,847)		(87,304,847)	
(157,200,675)		(157,200,675)	
(7,372,042)		(7,372,042)	
(820,324,869)		(820,324,869)	
	$ 29,683,036	29,683,036	
	2,369,918	2,369,918	
	3,594,627	3,594,627	
	5,670,906	5,670,906	
	(812,195)	(812,195)	
	18,363,121	18,363,121	
	(181,928,038)	(181,928,038)	
	68,771,452	68,771,452	
	6,520,209	6,520,209	
-	(47,766,964)	(47,766,964)	
(820,324,869)	(47,766,964)	(868,091,833)	
			$ 145,300,553
266,252,580	-	266,252,580	-
599,064,637	-	599,064,637	-
112,454,541	-	112,454,541	-
61,395,792	-	61,395,792	-
1,103,625	-	1,103,625	-
12,640,791	-	12,640,791	-
10,528,733	-	10,528,733	-
-	-	-	-
11,262,038	-	11,262,038	10,051,576
(152,421,836)	155,342,786	2,920,950	1,550,000
922,280,901	155,342,786	1,077,623,687	11,601,576
101,956,032	107,575,822	209,531,854	156,902,129
2,205,813,802	1,470,359,791	3,676,173,593	371,362,711
$ 2,307,769,834	$ 1,577,935,613	$ 3,885,705,447	$ 528,264,840

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Balance Sheet
Governmental Funds
June 30, 2004

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Total
ASSETS					
Cash Deposits at the Bank of ND	$ 72,958,642	$ 50,736,770	$ 3,299,894	$ 260,230,283	$ 387,225,589
Cash and Cash Equivalents	1,245,959	68,346	-	6,165,067	7,479,372
Investments at the Bank of ND	-	-	-	53,095,985	53,095,985
Investments	-	-	672,695,870	52,933,276	725,629,146
Accounts Receivable - Net	3,174,549	5,759,119	5,191,210	21,088,265	35,213,143
Taxes Receivable - Net	124,571,690	-	219,583	44,342,961	169,134,234
Interest Receivable - Net	2,798	45	4,669,904	1,214,777	5,887,524
Intergovernmental Receivable - Net	541,704	138,039,333	-	5,402,539	143,983,576
Due from Other Funds	90,052,858	12,301,571	5,554,445	22,777,329	130,686,203
Prepaid Items	360,385	904,560	-	1,824,249	3,089,194
Inventory	701,822	3,059,510	-	4,431,196	8,192,528
Loans and Notes Receivable - Net	94,904	-	24,020,190	71,558,057	95,673,151
Total Assets	$ 293,705,311	$ 210,869,254	$ 715,651,096	$ 545,063,984	$ 1,765,289,645
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 23,223,249	$ 92,690,943	$ 282,094	$ 23,960,237	$ 140,156,523
Accrued Payroll	14,188,598	5,897,934	-	6,743,776	26,830,308
Securities Lending Collateral	-	-	46,744,450	14,995,575	61,740,025
Interest Payable	36,867	-	-	3,117	39,984
Intergovernmental Payable	373,580	1,632,685	-	31,396,107	33,402,372
Tax Refunds Payable	39,722,869	-	-	342,835	40,065,704
Due to Other Funds	16,453,526	72,875,154	47,392	22,487,340	111,863,412
Contracts Payable	2,991	5,623,061	-	1,356,389	6,982,441
Claims/Judgments Payable	-	-	4,569,845	-	4,569,845
Deferred Revenue	2,948,718	12,249,776	-	10,091,756	25,290,250
Total Liabilities	96,950,398	190,969,553	51,643,781	111,377,132	450,940,864
Fund Balances:					
Reserved for:					
Inventory	701,822	207,013	-	4,431,196	5,340,031
Long - Term Receivables	46,650	-	-	66,218,812	66,265,462
Capital Projects	-	-	-	8,906,206	8,906,206
Debt Service	-	-	-	16,885,869	16,885,869
Prepaid Expenditures	360,385	904,560	-	1,824,249	3,089,194
Legal Requirements	-	-	-	9,318,192	9,318,192
Undistributed Revenue	-	-	10,596,616	-	10,596,616
Permanent Trust Fund	-	-	653,410,699	-	653,410,699
Unreserved, Reported in :					
General Fund	195,646,056	-	-	-	195,646,056
Special Revenue Funds	-	18,788,128	-	326,102,328	344,890,456
Total Fund Balances	196,754,913	19,899,701	664,007,315	433,686,852	1,314,348,781
Total Liabilities and Fund Balances	$ 293,705,311	$ 210,869,254	$ 715,651,096	$ 545,063,984	$ 1,765,289,645

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

June 30, 2004

Total Fund Balances-Governmental Funds		$ 1,314,348,781
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is $3,594,797,294 and the accumulated depreciation is $2,501,413,162.		1,093,384,132
Some of the state's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		16,625,032
Internal service funds are used to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		57,270,835
Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets.		1,009,000
The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds.		2,480,673
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Those liabilities consist of:		
Bonds Payable	(140,422,602)	
Notes Payable	(5,021,590)	
Accrued Interest on Long-Term Liabilities	(1,746,171)	
Compensated Absences	(27,437,572)	
Intergovernmental Payable	(668,248)	
Capital Leases	(1,052,436)	
Claims and Judgments	(1,000,000)	
Total Long-Term Liabilities		(177,348,619)
Net Assets of Governmental Activities		$ 2,307,769,834

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Total
REVENUES					
Individual and Corporate Income Taxes	$ 258,325,963	$ -	$ -	$ 7,581,394	$ 265,907,357
Sales and Use Taxes	442,915,770	-	-	156,491,595	599,407,365
Oil, Gas, and Coal Taxes	67,302,408	-	2,550,592	42,601,541	112,454,541
Business Taxes	42,892,875	-	-	18,502,917	61,395,792
Licenses, Permits and Fees	11,824,190	15,595	-	88,662,710	100,502,495
Intergovernmental	25,444,241	984,518,807	-	1,370,882	1,011,333,930
Sales and Services	2,293,692	2,682,441	-	39,453,332	44,429,465
Royalties and Rents	6,356,596	-	16,125,279	2,998,201	25,480,076
Fines and Forfeits	7,379,437	-	919,573	7,056,736	15,355,746
Interest and Investment Income	956,020	14,308	76,645,977	6,679,062	84,295,367
Tobacco Settlement	-	-	10,342,465	12,640,791	22,983,256
Commodity Assessments	-	-	-	11,897,001	11,897,001
Miscellaneous	1,196,937	21,233	-	4,192,843	5,411,013
Total Revenues	866,888,129	987,252,384	106,583,886	400,129,005	2,360,853,404
EXPENDITURES					
Current:					
General Government	61,905,844	5,050,639	-	7,256,257	74,212,740
Education	310,471,873	109,194,718	2,835,685	39,289,107	461,791,383
Health and Human Services	206,303,706	554,114,922	-	34,593,959	795,012,587
Regulatory	7,105,914	2,412,473	-	5,429,917	14,948,304
Public Safety and Corrections	60,953,820	37,346,805	-	3,974,618	102,275,243
Agriculture and Commerce	12,182,156	20,416,859	-	24,877,124	57,476,139
Natural Resources	11,346,360	11,625,474	-	34,565,140	57,536,974
Transportation	522,500	142,889,814	-	96,631,326	240,043,640
Intergovernmental - Revenue Sharing	-	-	-	157,200,675	157,200,675
Capital Outlay	4,005,247	82,787,847	-	38,738,123	125,531,217
Debt Service:					
Principal	59,782	20,528	-	8,301,460	8,381,770
Interest and Other Charges	-	-	-	6,962,225	6,962,225
Total Expenditures	674,857,202	965,860,079	2,835,685	457,819,931	2,101,372,897
Revenues over (under) Expenditures	192,030,927	21,392,305	103,748,201	(57,690,926)	259,480,507
OTHER FINANCING SOURCES (USES)					
Bonds and Notes Issued	1,869,275	2,501,493	-	1,500,243	5,871,011
Capital Lease Acquistions	156,018	31,265	-	-	187,283
Sale of Capital Assets	13,409	-	-	567,641	581,050
Other	(18,083)	-	-	10,221	(7,862)
Transfers In	97,345,371	156,087	-	109,978,536	207,479,994
Transfers Out	(221,558,208)	(29,928,242)	(32,287,952)	(76,563,592)	(360,337,994)
Total Other Financing Sources (Uses)	(122,192,218)	(27,239,397)	(32,287,952)	35,493,049	(146,226,518)
Net Change in Fund Balances	69,838,709	(5,847,092)	71,460,249	(22,197,877)	113,253,989
				-	
Fund Balances - Beginning of Year, as Adjusted	126,916,204	25,746,793	592,547,066	455,884,729	1,201,094,792
				-	
Fund Balances - End of Year	$ 196,754,913	$ 19,899,701	$ 664,007,315	$ 433,686,852	$ 1,314,348,781

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balances-Total Governmental Funds		$ 113,253,989
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	125,537,567	
Depreciation Expense	(138,080,083)	
Excess of capital outlay over depreciation expense		(12,542,516)
In the statement of activities, only the *gain(loss)* on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the assets sold.		(4,735,345)
Donations of capital assets increase net assets in the statement of activities but do not appear in the governmental funds because they are not financial resources.		440,745
Some of the assets acquired this year were financed through capital leases. The amount financed is reported in the governmental funds as a source of financing. However, capital leases are reported as long-term liabilities in the statement of net assets.		(187,283)
Based on receipt dates, some revenues are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased/decreased by this amount this year.		(235,068)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds is reported with governmental activities		3,999,987
Bonds proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		(1,500,243)
Notes payable proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		(4,370,768)
The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds.		(90,966)
Repayment of long-term debt is reported as an expenditure in governmental funds but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:		
Bond principal retirement	7,746,210	
Note payments	338,372	
Capital lease payments	1,391,882	
Total long-term debt repayment		9,476,464
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:		
Net increase/decrease in accrued interest	76,920	
Net increase/decrease in compensated absences	(1,358,333)	
Net increase/decrease in claims and judgments	(271,551)	
Total additional expenditures		(1,552,964)
Change in Net Assets of Governmental Activities		$ 101,956,032

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Net Assets
Proprietary Funds
June 30, 2004

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
ASSETS							
Current Assets:							
Cash Deposits at the Bank of ND		$ 1,451,000	$ 56,767,546	$ 1,748,242	$ 29,813,163	$ 89,779,951	$ 8,204,218
Cash and Cash Equivalents		35,000	4,767,609	-	58,213,623	63,016,232	3,750
Investments at the Bank of ND		-	52,052,392	44,012,071	3,203,348	99,267,811	-
Investments		4,164,000	110,653	1,303,048,697	25,624,406	1,332,947,756	6,546,123
Accounts Receivable - Net		504,000	12,036,189	18,887,646	37,235,908	68,663,743	60,581
Interest Receivable - Net		239,000	9,840	7,618,804	2,784,354	10,651,998	52,978
Intergovernmental Receivable - Net		349,000	42,114,563	-	2,850,838	45,314,401	197,559
Due from Other Funds		41,000	6,871,428	33,710	177,424	7,123,562	4,084,144
Due from Fiduciary Funds		-	-	-	9,933	9,933	142,183
Due from Component Units		-	1,388,885	-	-	1,388,885	-
Prepaid Items		30,000	-	24,520	1,418,600	1,473,120	3,199
Inventory		-	7,051,335	-	12,470,856	19,522,191	110,991
Loans and Notes Receivable - Net		-	5,736,528	-	13,217,704	18,954,232	-
Other Current Assets		-	1,883,639	-	-	1,883,639	-
Restricted Cash at the Bank of ND		5,473,000	-	-	6,019,901	11,492,901	1,648,029
Restricted Cash and Cash Equivalents		140,182,000	-	-	-	140,182,000	-
Restricted Investments at the Bank of ND		-	-	-	37,022,150	37,022,150	-
Restricted Interest Receivable - Net		2,532,000	-	-	2,995,868	5,527,868	-
Restricted Loans Receivable - Net		9,851,000	-	-	26,234,000	36,085,000	-
Total Current Assets		164,851,000	190,790,607	1,375,373,690	259,292,076	1,990,307,373	21,053,755
Noncurrent Assets:							
Restricted Cash at the Bank of ND		-	9,562,767	-	-	9,562,767	-
Restricted Cash and Cash Equivalents		-	3,811,781	-	257,343	4,069,124	-
Investments at the Bank of ND		-	6,909,325	-	-	6,909,325	-
Investments		-	13,796,996	-	-	13,796,996	-
Restricted Investments at the Bank of ND		-	26,022,850	-	-	26,022,850	-
Restricted Investments		26,583,000	16,807,276	-	222,263	43,612,539	-
Loans and Notes Receivable - Net		-	37,432,753	-	54,873,014	92,305,767	-
Restricted Loans Receivable - Net		493,315,000	-	-	86,374,000	579,689,000	-
Unamortized Bond Issuance Costs		5,840,000	2,319,865	-	964,236	9,124,101	66,495
Other Noncurrent Assets		1,891,000	163,287	-	1,629,551	3,683,838	-
Capital Assets:							
Land and Construction in Progress		-	47,247,582	901,974	799,557	48,949,113	3,595,766
Infrastructure - Net		-	88,689,107	-	1,254,032	89,943,139	-
Buildings and Equipment -Net		35,000	443,368,288	11,203,614	42,235,426	496,842,328	53,391,992
Total Noncurrent Assets		527,664,000	696,131,877	12,105,588	188,609,422	1,424,510,887	57,054,253
Bank Related Assets:							
Cash and Cash Equivalents	$ 276,667,000					276,667,000	
Investments	284,253,000					284,253,000	
Interest Receivable - Net	15,105,000					15,105,000	
Due from Other Funds	46,912,000					46,912,000	
Loans and Notes Receivable - Net	1,321,115,000					1,321,115,000	
Other Assets	4,298,000					4,298,000	
Capital Assets:							
Land and Construction in Progress	672,000					672,000	
Buildings and Equipment - Net	4,137,000					4,137,000	
Total Bank Related Assets	1,953,159,000					1,953,159,000	
Total Assets	1,953,159,000	692,515,000	886,922,484	1,387,479,278	447,901,498	5,367,977,260	78,108,008

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Net Assets
Proprietary Funds
June 30, 2004

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
LIABILITIES							
Current Liabilities:							
Accounts Payable		622,000	17,432,187	2,082,393	4,853,507	24,990,087	1,042,363
Accrued Payroll		-	8,628,381	-	518,313	9,146,694	1,197,156
Securities Lending Collateral		-	-	275,839,175	4,674,304	280,513,479	1,179,107
Interest Payable		13,318,000	51,374	-	381,876	13,751,250	7,059
Intergovernmental Payable		1,267,000	131,275	-	1,427,088	2,825,363	600
Due to Other Funds		13,138,000	11,613,542	90,727	41,752,424	66,594,693	2,248,305
Due to Fiduciary Funds		-	-	-	26,605	26,605	2,453
Due to Component Units		-	298,927	-	-	298,927	-
Contracts Payable		-	939,397	-	-	939,397	-
Other Deposits		-	7,333,618	-	-	7,333,618	-
Amounts Held in Custody for Others		5,473,000	-	-	833,087	6,306,087	-
Claims/Judgments Payable		-	-	70,000,000	558,406	70,558,406	2,420,299
Compensated Absences Payable		110,000	845,540	549,000	92,805	1,597,345	53,089
Notes Payable		-	917,738	-	-	917,738	289,673
Capital Leases Payable		-	4,904,808	-	29,384	4,934,192	24,711
Bonds Payable		8,870,000	5,474,540	-	205,000	14,549,540	-
Deferred Revenue		65,000	15,760,654	45,969,560	437,102	62,232,316	196,152
Other Current Liabilities		-	-	-	7,000	7,000	-
Total Current Liabilities		42,863,000	74,331,981	394,530,855	55,796,901	567,522,737	8,660,967
Noncurrent Liabilities:							
Intergovernmental Payable		1,885,000	1,332,638	-	6,682,195	9,899,833	-
Claims/Judgments Payable		-	-	534,100,000	142,173	534,242,173	2,638,658
Compensated Absences Payable		38,000	17,614,210	96,742	832,689	18,581,641	1,195,393
Notes Payable		-	8,539,917	-	-	8,539,917	143,729
Capital Leases Payable		-	29,144,183	-	52,089	29,196,272	54,377
Bonds Payable		576,662,000	117,217,364	-	127,106,507	820,985,871	5,961,076
Other Noncurrent Liabilities		-	467,396	-	3,354,780	3,822,176	-
Total Noncurrent Liabilities		578,585,000	174,315,708	534,196,742	138,170,433	1,425,267,883	9,993,233
Bank Related Liabilities:							
Interest Payable	285,000					285,000	
Due to Other Funds	16,850,000					16,850,000	
Federal Funds Purchased	170,097,000					170,097,000	
Reverse Repurchase Agreements	20,500,000					20,500,000	
Deposits Held for Other Funds	617,894,502					617,894,502	
Other Deposits	439,491,498					439,491,498	
Other Liabilities	8,521,000					8,521,000	
Long Term Liabilities:							
Due within one year	148,039,000					148,039,000	
Due in more than one year	377,756,000					377,756,000	
Total Bank Related Liabilities	1,799,434,000					1,799,434,000	
Total Liabilities	1,799,434,000	621,448,000	248,647,689	928,727,597	193,967,334	3,792,224,620	18,654,200
NET ASSETS							
Invested in Capital Assets, Net of Related Debt	4,809,000	35,000	439,983,819	12,105,588	42,288,593	499,222,000	56,536,881
Restricted for:							
Capital Projects	-	-	2,414,351	-	6,586	2,420,937	-
Debt Service	-	45,457,000	10,718,880	-	24,082,020	80,257,900	-
Loan Purposes	-	-	45,891,192	-	1,076,944	46,968,136	-
Pledged Assets	124,986,000	18,037,000	-	-	-	143,023,000	-
Unemployment Compensation	-	-	-	-	72,785,081	72,785,081	-
Endowment Funds-Nonexpendable	-	-	12,541,510	-	-	12,541,510	-
Endowment Funds-Expendable	-	-	8,888,957	-	-	8,888,957	-
Other	-	-	50,916	-	-	50,916	-
Unrestricted	23,930,000	7,538,000	117,785,170	446,646,093	113,694,940	709,594,203	2,916,927
Total Net Assets	$ 153,725,000	$ 71,067,000	$ 638,274,795	$ 458,751,681	$ 253,934,164	$ 1,575,752,640	$ 59,453,808

Reconciliation of the Proprietary Funds Statement of Net Assets to the Statement of Net Assets
June 30, 2004

Total Net Assets - Enterprise Funds	$ 1,575,752,640
Amounts reported for business-type activities in the statement of net assets are different because:	
Prior year net assets restatement and reduction of current year expenses based on the allocation of internal service fund's net income	2,182,973
Net Assets of Business-Type Activities	$ 1,577,935,613

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES							
Sales and Services	$ 11,474,000	$ 1,499,000	$ 41,112,550	$ 98,218,452	$ 184,288,123	$ 336,592,125	$ 59,259,451
Auxiliary Sales Pledged for Bonds	-	-	73,281,170	-	-	73,281,170	-
Tuition and Fees	-	-	151,024,776	-	-	151,024,776	-
Grants and Contributions	-	-	173,617,246	-	-	173,617,246	-
Royalties and Rents	-	-	-	-	11,970	11,970	-
Fines and Forfeits	-	-	-	864,601	-	864,601	-
Interest and Investment Income	77,075,000	37,828,000	-	-	13,333,703	128,236,703	-
Miscellaneous	-	-	1,365,786	-	26,106	1,391,892	88,703
Total Operating Revenues	88,549,000	39,327,000	440,401,528	99,083,053	197,659,902	865,020,483	59,348,154
OPERATING EXPENSES							
Cost of Sales and Services	-	-	34,374,369	-	89,281,198	123,655,567	965,818
Salaries and Benefits	7,648,000	1,796,000	408,190,474	11,150,352	4,546,510	433,331,336	14,605,597
Operating	8,600,000	4,927,000	154,630,394	4,922,861	20,420,415	193,500,670	27,518,985
Claims	-	-	-	105,131,905	49,715,730	154,847,635	2,916,715
Scholarships and Fellowships	-	-	19,413,864	-	-	19,413,864	-
Interest	41,755,000	29,615,000	-	-	2,349,329	73,719,329	-
Depreciation	940,000	21,000	33,870,398	515,556	3,765,673	39,112,627	8,108,308
Miscellaneous	-	-	-	-	5,111	5,111	-
Total Operating Expenses	58,943,000	36,359,000	650,479,499	121,720,674	170,083,966	1,037,586,139	54,115,423
Operating Income (Loss)	29,606,000	2,968,000	(210,077,971)	(22,637,621)	27,575,936	(172,565,656)	5,232,731
NONOPERATING REVENUES (EXPENSES)							
Grants and Contracts	-	-	178,588	-	303,681	482,269	-
Gifts	-	-	15,471,472	-	-	15,471,472	-
Interest and Investment Income	-	12,689,000	5,560,225	95,416,258	5,912,481	119,577,964	339,809
Interest Expense	-	(13,289,000)	(5,886,436)	(4,026,250)	(398,692)	(23,600,378)	(249,139)
Loss on Sale of Capital Assets	-	-	(1,336,258)	(32,106)	(5,028)	(1,373,392)	(705,509)
Other	-	-	3,866,529	-	(80,851)	3,785,678	(4,143)
Total Nonoperating Revenues (Expenses)	-	(600,000)	17,854,120	91,357,902	5,731,591	114,343,613	(618,982)
Income (Loss) Before Contributions and Transfers	29,606,000	2,368,000	(192,223,851)	68,720,281	33,307,527	(58,222,043)	4,613,749
Capital Grants and Contributions	-	-	9,405,153	-	-	9,405,153	-
Transfers In	-	-	216,149,823	-	6,283,825	222,433,648	791,917
Transfer Out	(25,284,000)	(49,000)	(6,059,350)	-	(35,698,512)	(67,090,862)	(355,753)
Change in Net Assets	4,322,000	2,319,000	27,271,775	68,720,281	3,892,840	106,525,896	5,049,913
Total Net Assets - Beginning of Year, as Adjusted	149,403,000	68,748,000	611,003,020	390,031,400	250,041,324	1,469,226,744	54,403,895
Total Net Assets - End of Year	$ 153,725,000	$ 71,067,000	$ 638,274,795	$ 458,751,681	$ 253,934,164	$ 1,575,752,640	$ 59,453,808

Reconciliation of Statement of Revenues, Expenses and Changes in Fund Net Assets of Proprietary Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004

Net Change in Net Assets-Total Enterprise Funds	$ 106,525,896
Amounts reported for business-type activities in the statement of activities are different because:	
Expenses were reduced based on the allocation of internal service fund's net income	1,049,926
Change in Net Assets of Business-Type Activities	$ 107,575,822

The Accompanying Notes are an Integral Part of the Financial Statements

(Continued on Next Page)

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:							
Receipts from Customers and Users	$ 11,160,000	$ 191,196,000	$ 112,818,312	$ 110,298,129	$ 370,077,016	$ 795,549,457	$ 59,098,713
Receipts from Tuition and Fees	-	-	152,495,218	-	-	152,495,218	-
Interest Income on Loans	-	-	-	-	500,580	500,580	-
Receipts from Loan Principal Repayments	-	-	8,385,652	-	15,797,466	24,183,118	-
Receipts from Federal and Local Agencies	-	-	5,585,261	-	-	5,585,261	10
Receipts from Other Funds	-	-	-	-	89	89	1,445,663
Receipts from Grants and Contracts	-	-	163,245,154	-	-	163,245,154	-
Receipts from Others	-	-	1,901,162	1,730,924	167,700	3,799,786	2,472
Payments for Loan Funds	-	-	(10,137,759)	-	(13,392,634)	(23,530,393)	-
Payments for Scholarships and Fellowships	-	-	(19,413,864)	-	-	(19,413,864)	-
Payments to Suppliers	(7,241,000)	(103,988,000)	(187,879,256)	(2,952,389)	(319,544,717)	(621,605,362)	(27,456,740)
Payments to Employees	(7,663,000)	(1,793,000)	(406,850,472)	(8,460,068)	(10,228,777)	(434,995,317)	(13,644,090)
Claim Payments	-	-	-	(85,595,326)	(38,782,122)	(124,377,448)	(2,489,185)
Payments to Others	-	(1,601,000)	-	(8,021,295)	(94,182)	(9,716,477)	(1,316,534)
Net Cash Provided by (Used for) Operating Activities	(3,744,000)	83,814,000	(179,850,592)	6,999,975	4,500,419	(88,280,198)	15,640,309
Cash Flows from Noncapital Financing Activities:							
Proceeds from Bonds	-	101,634,000	-	-	-	101,634,000	-
Proceeds from Sale of Notes and Other Borrowings	1,210,000,000	-	-	-	11,800,000	1,221,800,000	-
Principal Payments - Bonds	-	-	-	-	(1,000,000)	(1,000,000)	-
Principal Payments - Notes and Other Borrowings	(1,105,270,000)	(177,594,000)	-	-	(13,300,000)	(1,296,164,000)	-
Interest Payments - Bonds	-	(33,115,000)	-	-	(1,750,000)	(34,865,000)	-
Interest Payments - Notes and Other Borrowings	(24,112,000)	-	-	-	(431,789)	(24,543,789)	(34,683)
Payment of Bond Issue Costs	-	(990,000)	-	-	-	(990,000)	-
Transfers In	-	-	-	-	6,283,825	6,283,825	791,917
Transfers Out	(34,337,000)	(49,000)	(6,059,350)	-	(7,869,001)	(48,314,351)	(355,753)
Net Increase in Non-Interest Bearing Deposits	5,163,000	-	-	-	-	5,163,000	-
Net Decrease in Interest Bearing Deposits	(18,571,000)	-	-	-	-	(18,571,000)	-
Payments of Interest on Deposits	(16,209,000)	-	-	-	-	(16,209,000)	-
Interest Paid on Federal Funds and Reverse Repurchase Agreements	(2,802,000)	-	-	-	-	(2,802,000)	-
Net Decrease in Federal Funds and Reverse Repurchase Agreements	(106,091,000)	-	-	-	-	(106,091,000)	-
Principal Payments on Due To Other Funds	-	-	(720,800)	-	(859,664)	(1,580,464)	-
Grants and Gifts Received for Other than Capital Purposes	-	-	16,181,315	-	303,681	16,484,996	-
State Appropriations	-	-	206,534,562	-	-	206,534,562	-
Agency Fund Cash Increase	-	-	910,233	-	-	910,233	-
Grants Given for Other than Capital Purposes	-	-	(1,001,848)	-	-	(1,001,848)	-
Disbursements for Loans and Loan Purchases	-	-	-	-	(703,538)	(703,538)	-
Other	-	-	3,516,702	-	(404,762)	3,111,940	207
Net Cash Provided by (Used for) Noncapital Financing Activities	(92,229,000)	(110,114,000)	219,360,814	-	(7,931,248)	9,086,566	401,688
Cash Flows from Capital and Related Financing Activities:							
Acquisition and Construction of Capital Assets	(608,000)	-	(77,769,136)	(414,224)	(1,490,722)	(80,282,082)	(15,834,522)
Proceeds from Sale of Capital Assets	-	-	756,787	50	17,115	773,952	1,516,623
Proceeds from Bonds	-	-	-	-	-	-	5,961,076
Proceeds from Sale of Notes and Other Borrowings	-	-	44,718,830	-	-	44,718,830	433,402
Principal Payments - Bonds	-	-	-	-	(210,000)	(210,000)	-
Principal Payments - Notes and Other Borrowings	-	-	(13,216,076)	-	(2,139,245)	(15,355,321)	(1,607,092)
Interest Payments - Bonds	-	-	-	-	(83,597)	(83,597)	-
Interest Payments - Notes and Other Borrowings	-	-	(5,508,951)	-	(6,406)	(5,515,357)	(384,453)
Capital Appropriations	-	-	4,919,358	-	-	4,919,358	-
Payment on Capital Leases	-	-	-	-	(36,791)	(36,791)	(11,933)
Interest Payments - Capital Leases	-	-	-	-	-	-	(4,541)
Capital Grants and Gifts Received	-	-	10,091,380	-	-	10,091,380	-
Insurance Proceeds	-	-	1,405,064	-	-	1,405,064	-
Net Cash Used for Capital and Related Financing Activities	(608,000)	-	(34,602,744)	(414,174)	(3,949,646)	(39,574,564)	(9,931,440)
Cash Flows from Investing Activities:							
Proceeds from Sale and Maturities of Investment Securities	288,047,000	264,000	69,003,654	16,502,809	102,454,186	476,271,649	-
Purchase of Investment Securities	(341,067,000)	-	(90,279,525)	(21,767,114)	(106,180,803)	(559,294,442)	(3,436,975)
Interest and Dividends on Investments	11,432,000	(600,000)	4,844,703	-	5,681,645	21,358,348	370,820
Proceeds from Sale of Other Real Estate	621,000	-		-	-	621,000	-
Net Decrease in Loans	(66,827,000)	-	-	-	-	(66,827,000)	-
Disbursements for Loans and Loan Purchases	-	-	-	-	(1,175,000)	(1,175,000)	-
Receipt of Loan Principal Repayments	-	-	-	-	1,991,932	1,991,932	-
Proceeds from Collection of Loans and Notes Receivable	-	-		-	1,964,660	1,964,660	-
Loan Income Received	72,448,000	-	-	-	758,469	73,206,469	-
Net Cash Provided by (Used for) Investing Activities	(35,346,000)	(336,000)	(16,431,168)	(5,264,305)	5,495,089	(51,882,384)	(3,066,155)

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Cash Flows
Proprietary Funds (Continued)
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
Net Change In Cash:							
Net Increase (Decrease) in Cash and Cash Equivalents	(131,927,000)	(26,636,000)	(11,523,690)	1,321,496	(1,885,386)	(170,650,580)	3,044,402
Cash and Cash Equivalents at June 30, 2003	408,594,000	173,777,000	86,433,393	426,746	96,189,416	765,420,555	6,811,595
Cash and Cash Equivalents at June 30, 2004	$ 276,667,000	$ 147,141,000	$ 74,909,703	$ 1,748,242	$ 94,304,030	$ 594,769,975	$ 9,855,997
Reconciliation:							
Current:							
Cash Deposits at the Bank of North Dakota	$ -	$ 1,451,000	$ 56,767,546	$ 1,748,242	$ 29,813,163	$ 89,779,951	$ 8,204,218
Cash and Cash Equivalents	276,667,000	35,000	4,767,609	-	58,213,623	339,683,232	3,750
Restricted Cash Deposits at the Bank of North Dakota	-	5,473,000	-	-	6,019,901	11,492,901	1,648,029
Restricted Cash and Cash Equivalents	-	140,182,000	-	-	-	140,182,000	-
Noncurrent:							
Restricted Cash Deposits At The Bank of North Dakota	-	-	9,562,767	-	-	9,562,767	-
Restricted Cash and Cash Equivalents	-	-	3,811,781	-	257,343	4,069,124	-
Cash and Cash Equivalents	$ 276,667,000	$ 147,141,000	$ 74,909,703	$ 1,748,242	$ 94,304,030	$ 594,769,975	$ 9,855,997
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:							
Operating Income (Loss)	$ 29,606,000	$ 2,968,000	$ (210,077,971)	$ (22,637,621)	$ 27,575,936	$ (172,565,656)	$ 5,232,731
Adjustments to Reconcile Operating							
Income to Net Cash Provided by Operating Activities:							
Depreciation	940,000	21,000	33,870,398	515,556	3,765,673	39,112,627	8,108,308
Amortization\Accretion	(59,000)	1,485,000	-	-	492,000	1,918,000	-
Reclassification of Interest Revenue\Expense	(39,742,000)	(2,554,000)	-	-	(10,890,898)	(53,186,898)	-
Gain on Sale of Student Loans	(96,000)	-	-	-	-	(96,000)	-
Gain on Sale of Real Estate	(69,000)	-		-	-	(69,000)	-
Net Increase in Fair Value of Investments	4,422,000	2,405,000	-	-	-	6,827,000	-
Interest Received on Program Loans	-	32,616,000	-	-	9,377,000	41,993,000	-
Disbursements for Loans and Loan Purchases	-	(101,936,000)	-	-	(60,224,000)	(162,160,000)	-
Receipt of Loan Principal Repayments	-	150,145,000	-	-	37,871,000	188,016,000	-
Provision for Losses	2,000,000	-	-	-	559,000	2,559,000	-
Premiums Collected	-	-	-	-	126,339,150	126,339,150	-
Premiums Paid	-	-	-	-	(126,339,150)	(126,339,150)	-
Other	-	(1,205,000)	(198,593)	-	31,000	(1,372,593)	1,320
Change in Assets and Liabilities:							
(Increase) Decrease in Accounts Receivable	-	(20,000)	(1,078,208)	(11,428)	(4,028,564)	(5,138,200)	40,801
(Increase) Decrease in Interest Receivable	-	-	-	-	77,657	77,657	(4,134)
(Increase) Decrease in Due From	(237,000)	37,000	-	39,021	(91,414)	(252,393)	606,813
Decrease in Due From Fiduciary Funds	-	-	-	-	22,419	22,419	-
(Increase) Decrease in Intergovernmental Receivable	-	7,000	(4,378,705)	-	974,218	(3,397,487)	(44,806)
(Increase) Decrease in Notes Receivable	-	-	(856,035)	-	619,475	(236,560)	-
(Increase) Decrease in Prepaid Items	-	(17,000)	-	31,298	(324,987)	(310,689)	8,099
(Increase) Decrease in Inventories	-	-	(372,862)	-	(1,944,557)	(2,317,419)	6,075
(Increase) Decrease in Other Assets	143,000	-	576,123	-	(4,330)	714,793	-
Increase (Decrease) in Accounts Payable	-	69,000	85,314	(624,392)	1,228,265	758,187	185,158
Increase In Interest Payable	-	-		-	-	-	6,094
Increase (Decrease) in Claims\Judgments Payable	-	-	-	26,600,000	(1,116,384)	25,483,616	729,939
Increase (Decrease) in Intergovernmental Payable	-	11,000	-	-	(589,144)	(578,144)	600
Increase in Accrued Payroll	-	-	166,760	-	75,549	242,309	54,478
Increase in Compensated Absences Payable	-	-	1,173,243	52,983	79,206	1,305,432	55,172
Increase (Decrease) in Amounts Held for Others	-	(221,000)	-	-	46,398	(174,602)	-
Decrease in Other Deposits	-	-	(479,309)	-	-	(479,309)	-
Increase (Decrease) in Due To Other Funds	(2,000)	16,000	-	34,902	159,349	208,251	1,120,698
Increase (Decrease) in Deferred Revenue	-	(13,000)	1,719,253	2,999,656	373,717	5,079,626	(467,037)
Increase (Decrease) in Other Liabilities	(650,000)	-	-	-	386,835	(263,165)	-
Total Adjustments	(33,350,000)	80,846,000	30,227,379	29,637,596	(23,075,517)	84,285,458	10,407,578
Net Cash Provided by (Used for) Operating Activities	$ (3,744,000)	$ 83,814,000	$ (179,850,592)	$ 6,999,975	$ 4,500,419	$ (88,280,198)	$ 15,640,309
Noncash Transactions:							
Net Increase (Decrease) in Fair Value of Investments	$ -	$ -	$ -	$ 59,516,744	$ 363,910	$ 59,880,654	$ (54,091)
Real estate and Property Owned Acquired in Exchange for Loans	3,568,000	-		-	-	3,568,000	-
Change in Securities Lending Collateral	-	-	-	145,636,762	2,049,946	147,686,708	911,104
Disposal of Equipment Under Capital Lease	-	-		32,106	-	32,106	-
Interest on Investments	-	-	-	31,720,779	-	31,720,779	-
Amortization of Bond Discount	-	-	-	-	8,754	8,754	-
Amortization of Bond Issuance Costs	-	-	-	-	3,335	3,335	-
Acquisition of Equipment Under Capital Lease	-	-	-	-	-	-	91,021
Assets Acquired Through Capital Lease	-	-	7,319,770	-	-	7,319,770	-
Assets Acquired Through Special Assessments	-	-	111,401	-	-	111,401	-
Expenses Paid by Capital Lease	-	-	43,333	-	-	43,333	-
Gifts of Capital Assets	-	-	2,706,474	-	-	2,706,474	-
Total Noncash Transactions	$ 3,568,000	$ -	$ 10,180,978	$ 236,906,391	$ 2,425,945	$ 253,081,314	$ 948,034

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash Deposits at the Bank of ND	$ 10,899,669	$ 121,818	$ 107,056	$ 10,128,428
Cash and Cash Equivalents	-	-	343,766	2,214,914
Receivables:				
Contributions Receivable	9,851,732	-	-	-
Accounts Receivable-Net	446,355	-	1,388,311	5,602,648
Taxes Receivable-Net	-	-	-	10,113,907
Interest Receivable - Net	9,321,153	90,066	-	175
Due from Other Funds	38,673	-	12	175
Due from Fiduciary Funds	114,976	-	-	-
Total Receivables	19,772,889	90,066	1,388,323	15,716,905
Investments, at Fair Value:				
Investments at the Bank of ND	20,520,550	368,051	18,602	8,069,758
Equity Pool	1,690,704,421	23,802,484	-	-
Fixed Income	10,219,583	-	34,804	-
Fixed Income Pool	691,364,641	19,673,226	-	2,408,793
Cash and Cash Pool	59,093,473	288,847	-	-
Real Estate Pool	170,224,891	1,432,146	-	-
Private Equity	118,961,967	575,441	-	-
Annuties	155,016	-	-	-
Mutual Funds	25,504,313	-	168,422,559	-
Total Investments	2,786,748,855	46,140,195	168,475,965	10,478,551
Invested Securities Lending Collateral	178,647,461	5,235,676	-	-
Capital Assets (Net of Depreciation)	23,656	-	-	-
Other Assets	37,575	-	-	38,841
Total Assets	2,996,130,105	51,587,755	170,315,110	$ 38,577,639
LIABILITIES				
Accounts Payable	2,674,444	33,509	1,339,606	-
Accrued Payroll	66,260	-	-	-
Securities Lending Collateral	178,647,461	5,235,676	-	-
Intergovernmental Payable	-	-	-	22,821,204
Due to Other Funds	178,130	-	-	-
Due to Fiduciary Funds	114,976	-	-	-
Amounts Held in Custody for Others	-	-	-	15,756,435
Deferred Revenue	35,547	-	-	-
Compensated Absences Payable	75,289	-	-	-
Capital Leases Payable	6,752	-	-	-
Total Liabilities	181,798,859	5,269,185	1,339,606	$ 38,577,639
NET ASSETS				
Net Assets Held in Trust for:				
Pension Benefits	2,813,259,883	-	-	
Other Employee Benefits	1,071,363	-	-	
External Investment Pool Participants	-	46,318,570	-	
Other Purposes	-	-	168,975,504	
Total Net Assets Held in Trust	$ 2,814,331,246	$ 46,318,570	$ 168,975,504	

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2004

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Employer	$ 55,565,840	$ -	$ -
Employee	61,185,410	-	-
From Participants	-	-	93,638,019
Transfers from Other Funds	227,274	-	-
Transfers from Other Plans	3,857,713	-	-
Donations	-	-	22,212
Total Contributions	120,836,237	-	93,660,231
Investment Income:			
Net Increase in Fair Value of Investments	357,975,089	4,704,518	20,317,129
Interest and Dividends	73,093,535	1,212,809	2,125,030
Less Investment Expense	9,192,997	132,204	-
Net Investment Income	421,875,627	5,785,123	22,442,159
Securities Lending Activity:			
Securities Lending Income	1,773,342	44,754	-
Less Securities Lending Expense	1,285,627	36,488	-
Net Securities Lending Income	487,715	8,266	-
Repurchase Service Credit	3,633,050	-	-
Miscellaneous Income	459,808	-	-
Total Additions	547,292,437	5,793,389	116,102,390
DEDUCTIONS			
Benefits Paid to Participants	135,261,327	-	-
Refunds	9,494,659	-	-
Prefunded Credit Applied	4,063,395	-	-
Transfers to Other Plans	244,861	-	-
Payments in Accordance with Trust Agreements	-	-	32,634,159
Administrative Expenses	3,019,560	-	-
Total Deductions	152,083,802	-	32,634,159
Purchase of Units at Net Asset Value of $1.00 Per Unit	-	1,000,000	-
Change in Net Assets Held in Trust for:			
Pension Benefits	395,150,193	-	-
Other Employee Benefits	58,442	-	-
External Investment Pool Participants	-	6,793,389	-
Other Purposes	-	-	83,468,231
Net Assets--Beginning of Year	2,419,122,611	39,525,181	85,507,273
Net Assets--End of Year	$ 2,814,331,246	$ 46,318,570	$ 168,975,504

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Combining Statement of Net Assets
Component Units - Proprietary Funds
June 30, 2004

	BSC Foundation	CHAND	MISU Development Foundation	Municipal Bond Bank	ND Development Fund
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 193,079	$ 2,179,597	$ 119,308	$ 2,429,000	$ 1,464,383
Investments	-	-	-	-	11,550,000
Accounts Receivable - Net	538,110	-	33,109	-	-
Interest Receivable - Net	-	-	-	-	122,222
Due from Primary Government	-	-	-	-	-
Inventory	-	-	-	-	-
Loans and Notes Receivable - Net	-	-	-	-	2,289,072
Other Current Assets	59,038	-	1,570	-	-
Restricted Cash and Cash Equivalents	-	-	-	1,781,000	-
Restricted Investments	-	-	-	16,240,000	-
Restricted Interest Receivable-Net	-	-	-	3,352,000	-
Total Current Assets	790,227	2,179,597	153,987	23,802,000	15,425,677
Noncurrent Assets:					
Restricted Cash and Cash Equivalent	-	-	-	-	-
Investments	6,679,864	-	10,300,021	-	1,700,541
Restricted Investments	3,944,215	-	-	305,489,000	-
Due from Primary Government	-	-	-	-	-
Loans and Notes Receivable - Net	-	-	-	-	3,604,935
Unamortized Bond Issuance Costs	-	-	-	1,403,000	-
Other Noncurrent Assets	2,407,437	-	-	-	-
Capital Assets:					
Land and Construction in Progress	1,200,000	-	-	-	-
Infrastructure - Net	-	-	-	-	-
Buildings and Equipment -Net	129,583	-	-	-	4,271
Total Noncurrent Assets	14,361,099	-	10,300,021	306,892,000	5,309,747
Total Assets	15,151,326	2,179,597	10,454,008	330,694,000	20,735,424
LIABILITIES					
Current Liabilities:					
Accounts Payable	167,316	88,106	16,363	60,000	15,154
Interest Payable	-	-	-	1,568,000	-
Intergovernmental Payable	-	-	-	-	-
Due to Primary Government	33,668	-	-	-	-
Claims/Judgments Payable	-	1,525,000	-	-	-
Notes Payable	-	-	9,070	-	-
Capital Leases Payable	-	-	-	-	-
Bonds Payable	-	-	-	7,625,000	-
Deferred Revenue	-	198,198	-	-	-
Other Current Liabilities	-	-	-	-	-
Total Current Liabilities	200,984	1,811,304	25,433	9,253,000	15,154
Noncurrent Liabilities:					
Intergovernmental Payable	-	-	-	309,000	-
Notes Payable	-	-	21,385	6,460,000	-
Capital Leases Payable	-	-	-	-	-
Bonds Payable	-	-	-	151,276,000	-
Other Noncurrent Liabilities	1,586,700	-	62,018	-	-
Total Noncurrent Liabilities	1,586,700	-	83,403	158,045,000	-
Total Liabilities	1,787,684	1,811,304	108,836	167,298,000	15,154
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,329,583	-	-	-	4,271
Restricted for:					
Debt Service	-	-	-	71,638,000	-
Loan Purposes	-	-	-	89,334,000	-
Other	10,889,285	-	8,406,849	-	-
Unrestricted	1,144,774	368,293	1,938,323	2,424,000	20,715,999
Total Net Assets	$ 13,363,642	$ 368,293	$ 10,345,172	$ 163,396,000	$ 20,720,270

The Accompanying Notes are an Intergral Part of the Financial Statements

NDSU Development Foundation	NDSU Research and Technology Park	RE Arena Inc. UND Arena Services, Inc. & Affiliates	UND Aerospace Foundation	UND Alumni Association and UND Foundation	Non-Major	Total
$ 269,588	$ 422,382	$ 861,092	$ 787,419	$ 597,351	$ 4,200,689	$ 13,523,888
-	-	-	-	-	-	11,550,000
359,035	282,432	1,923,541	601,963	2,551,985	496,760	6,786,935
-	-	-	-	-	-	122,222
-	-	-	-	298,927	-	298,927
-	-	502,637	119,501	-	-	622,138
-	-	-	-	-	-	2,289,072
495,890	77,816	1,873,855	33,041	13,182	381,639	2,936,031
-	-	-	-	-	-	1,781,000
-	-	-	-	-	-	16,240,000
-	-	-	-	-	-	3,352,000
1,124,513	782,630	5,161,125	1,541,924	3,461,445	5,079,088	59,502,213
5,191,539	1,257,916	2,978,841	-	-	-	9,428,296
73,702,347	-	-	567,381	84,607,005	21,323,942	198,881,101
4,928,950	-	-	-	36,970,730	792,311	352,125,206
-	-	-	1,967,627	8,153,551	-	10,121,178
-	-	-	-	-	-	3,604,935
-	-	39,357	-	-	-	1,442,357
95,356	246,167	-	-	1,970,061	170,181	4,889,202
925,866	-	4,768,427	967,649	-	241,625	8,103,567
-	510,257	-	39,617	-	-	549,874
3,511,457	38,209	101,207,397	6,821,590	3,472,546	821,230	116,006,283
88,355,515	2,052,549	108,994,022	10,363,864	135,173,893	23,349,289	705,151,999
89,480,028	2,835,179	114,155,147	11,905,788	138,635,338	28,428,377	764,654,212
1,420,974	1,641	869,882	803,016	399,362	916,143	4,757,957
-	-	-	-	-	-	1,568,000
-	22,000	-	-	-	-	22,000
205,425	-	260,078	48,056	536,698	304,960	1,388,885
-	-	-	-	-	-	1,525,000
3,002,830	-	-	608,012	159,814	89,430	3,869,156
-	-	-	32,373	-	-	32,373
77,723	-	250,000	-	332,622	-	8,285,345
368,874	-	3,680,267	468,744	-	-	4,716,083
514,125	-	-	-	-	750	514,875
5,589,951	23,641	5,060,227	1,960,201	1,428,496	1,311,283	26,679,674
-	398,375	-	-	-	-	707,375
25,673	-	-	3,601,743	713,551	944,186	11,766,538
-	-	-	1,967,627	-	-	1,967,627
1,551,629	-	7,250,000	-	12,605,668	-	172,683,297
4,354,148	-	-	-	16,021,171	560,824	22,584,861
5,931,450	398,375	7,250,000	5,569,370	29,340,390	1,505,010	209,709,698
11,521,401	422,016	12,310,227	7,529,571	30,768,886	2,816,293	236,389,372
4,437,323	128,091	98,725,824	3,619,101	3,472,546	879,239	112,595,978
-	-	-	-	-	-	71,638,000
-	-	-	-	-	-	89,334,000
72,196,561	1,632,677	2,978,841	-	91,233,464	21,557,064	208,894,741
1,324,743	652,395	140,255	757,116	13,160,442	3,175,781	45,802,121
$ 77,958,627	$ 2,413,163	$ 101,844,920	$ 4,376,217	$ 107,866,452	$ 25,612,084	$ 528,264,840

The Accompanying Notes are an Intergral Part of the Financial Statements

STATE OF NORTH DAKOTA

Combining Statement of Activities
Component Units-Proprietary Funds
For the Fiscal Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue
BSC Foundation	$ 728,338	$ 195,419	$ 3,704,856	$ 3,171,937
CHAND	8,370,255	9,050,020	4,450	684,215
MISU Development Foundation	987,117	-	1,541,119	554,002
Municipal Bond Bank	9,348,000	984,000	32,105,000	23,741,000
ND Development Fund	2,861,044	661,803	117,499	(2,081,742)
NDSU Development Foundation	8,006,742	658,247	15,458,943	8,110,448
NDSU Research and Technology Park	253,163	2,289,503	20,944	2,057,284
RE Arena, Inc., UND Areana Services & Affiliates	7,920,707	5,628,329	103,500,000	101,207,622
UND Areospace Foundation	5,983,665	6,544,314	17,837	578,486
UND Alumni Association & UND Foundation	10,008,103	1,251,939	14,885,447	6,129,283
Nonmajor Component Units	6,642,909	705,621	7,085,306	# 1,148,018
Total Component Units	$ 61,110,043	$ 27,969,195	$ 178,441,401	$ 145,300,553

The Accompanying Notes are an Integral Part of the Financial Statements

General Revenues Payments from State of North Dakota	Additions to Permanent Endowments	Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
$ -	$ 1,239,362	$ 4,411,299	$ 8,952,343	$ 13,363,642
-	-	684,215	(315,922)	368,293
-	455,050	1,009,052	9,336,120	10,345,172
-	-	23,741,000	139,655,000	163,396,000
1,550,000	-	(531,742)	21,252,012	20,720,270
-	4,098,764	12,209,212	65,749,415	77,958,627
-	-	2,057,284	355,879	2,413,163
-	-	101,207,622	637,298	101,844,920
-	-	578,486	3,797,731	4,376,217
-	3,923,317	10,052,600	97,813,852	107,866,452
-	335,083	1,483,101	24,128,983	25,612,084
$ 1,550,000	$ 10,051,576	$ 156,902,129	$ 371,362,711	$ 528,264,840

The Accompanying Notes are an Integral Part of the Financial Statements

Index

Page

Note 1 - Summary of Significant Accounting Policies 1
A. Reporting Entity 1
B. Government-wide and Fund Financial Statements 4
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation 5
D. General Budgetary Policies and Procedures 7
E. Cash and Cash Equivalents 7
F. Investments 7
G. Securities Lending 8
H. Interfund Activity and Balances 9
I. Inventories and Prepaid Items 9
J. Unamortized Bond Issuance Costs 9
K. Capital Assets 9
L. Lease Commitments 10
M. Federal Funds Purchased 10
N. Claims/Judgments Payable 10
O. Compensated Absences 10
P. Deposits 11
Q. Deferred Revenue 11
R. Revenues and Expenditures/Expenses 11
S. Net Assets/Fund Balance 11
T. Change in Accounting Principle 11

Note 2 - Restatements 12

Note 3 - Detailed Notes on Account Balances 12
A. Deposits 12
B. Investments 13
C. Reverse Repurchase Agreements 15
D. Receivables 15
E. Interfund Accounts and Transfers 16
F. Capital Assets 18
G. Operating Leases 20
H. Capital Leases 21
I. Long-Term Debt 22
J. Arbitrage Rebate Payable 29

Note 4 - Retirement Systems 29
A. Description of Plans 29
B. Summary of Significant Accounting Policies and Plan Asset Matters 32
C. Funding Status and Progress 33
D. Contributions Required and Contributions Made 34
E. Defined Contribution Plan 35
F. Teachers Insurance Annuity Association 36

Page

Note 5 - Post-Retirement Benefits 36

Note 6 - Deferred Compensation Plan 38

Note 7 - PERS Uniform Group Insurance Program 38

Note 8 - Segment Information 38

Note 9 - Major Component Unit Transactions 39

Note 10 - Financial Instruments With Off-Balance-Sheet Risk 40

Note 11 - Interest Rate Swap 41

Note 12 - Significant Concentrations of Credit Risk 41

Note 13 - Risk Management 43

Note 14 - Public Entity Risk Pools 45
A. General 45
B. Reconciliation of Claims Liabilities 46

Note 15 - School Permanent Trust Fund 46

Note 16 - Bank of North Dakota 46

Note 17 - Commitments and Contingencies 46
A. Long-Term Commitments 46
B. Litigation 49
C. Questioned Costs 49

Note 18 - Subsequent Events 49

Note 19 - New Pronouncement 50

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The primary authority for the State's accounting and reporting requirements is the Office of Management and Budget. The Office of Management and Budget has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the State's accounting policies are as follows:

A. REPORTING ENTITY

For financial reporting purposes, the State of North Dakota has included all funds, organizations, agencies, boards and commissions that make up its legal entity. The State has also included all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

As required by accounting principles generally accepted in the United States of America, these financial statements present the State of North Dakota (the primary government) and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State.

BLENDED COMPONENT UNITS

These component units are entities that are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State and blended into the appropriate fund types.

Building Authority (Debt Service Fund and Capital Projects Fund) - The Building Authority was created by the Legislature as a separate instrumentality of the State. Its purpose is to promote the general welfare of the citizens of the State by providing financing for use by the State in altering, repairing, maintaining or constructing buildings and making any improvements connected to State buildings. The Industrial Commission, which consists of the governor, the attorney general, and the commissioner of agriculture, is the governing board of the Building Authority. The funds and account groups of the Building Authority were audited by other independent auditors for the fiscal year ended June 30, 2004, and their report dated August 5, 2004, has been previously issued under a separate cover.

The **North Dakota University System Foundation** is considered a blended component unit. Although it is a legally separate nonprofit 501(c)(3) organization from the North Dakota University System, the North Dakota University System Foundation is reported as if it were part of the primary government because its sole purpose is to support the North Dakota University System. The members of the State Board of Higher Education serve as the Board of Trustees for the North Dakota University System Foundation.

The **NDSU Research Foundation** is considered a blended component unit. Although it is a legally separate, nonprofit 501(c)(3) organization from the North Dakota University System, the NDSU Research Foundation is reported as if it were part of the primary government because its sole purpose is to provide support to NDSU in its missions by enabling NDSU faculty to enhance their involvement in research, technology transfer, and business endeavors. Through linkages with public and private businesses and industries, the Foundation facilitates the commercialization of research technologies developed by NDSU faculty and staff. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2004, and their report dated September 30, 2004, has been previously issued under a separate cover.

DISCRETELY PRESENTED COMPONENT UNITS

These component units are entities that are legally separate from the State, but are financially accountable to the State. The component units' columns of government-wide financial statements include the financial data of these entities.

MAJOR COMPONENT UNITS

Comprehensive Health Association (Proprietary Fund Type) - The Association was established by the Legislature with participating membership consisting of those insurance companies, licensed or authorized to do business in the State. It provides low cost access to health insurance coverage for residents of the State who are denied adequate health insurance and are considered uninsurable. The Association is governed by a board of eight members of which five are representatives of the State and is regulated by the State Insurance Department. The Association was audited by other independent auditors for the calendar year ended December 31, 2003, and their report dated February 24, 2004, has been previously issued under a separate cover.

Municipal Bond Bank (Proprietary Fund Type) - The Bond Bank was created by the Legislature as a separate agency of the State. The purpose of the Bond Bank is to make funds available for borrowing by North Dakota political subdivisions through the issuance of its bonds and the purchase of municipal securities of the political subdivisions. The Bond Bank has been granted all powers required in order to accomplish this purpose and is under the control and management of the Industrial Commission. The Fund was audited by other independent auditors for the calendar year ended December 31, 2003, and their report dated January 30, 2004, has been previously issued under a separate cover.

North Dakota Development Fund, Inc. (Proprietary Fund Type) - The Development Fund was established as a statewide nonprofit development corporation with the authority to take equity positions in; to provide loans to; or to use other innovative financing mechanisms to provide capital for new or expanding businesses in North Dakota or relocating businesses to North Dakota. A board of directors consisting of eight members, all of whom are appointed by the governor, manages the corporation. The deputy director of the Department of Commerce (a State agency) is the corporation's chief executive officer. The director of the Department of Commerce (governor-appointed cabinet position) is responsible for developing rules, subject to the approval of the board of directors, necessary to implement the administration of the corporation. The Fund was audited by other independent auditors for the fiscal year ended June 30, 2004, and their report dated August 13, 2004, has been previously issued under a separate cover.

The **NDSU Research and Technology Park, Inc.** is a nonprofit organization developed to promote an economic environment dedicated to applied research and technology discovery for the benefit of NDSU, its faculty and staff, students, and the citizens of North Dakota. Its facilities are located on the campus of NDSU in Fargo, North Dakota. The organization was established in 1999 and is exempt from federal and state income taxes as it is organized under Section 501(c)(3) of the Internal Revenue Code. The majority of the Park's board of directors (six of nine) consists of people who work in private industry. Vacancies are filled by a majority vote of the board. Officers of NDSU fill three of the nine positions on the Park's board. The president of NDSU serves as president of the board of directors. The status of the Park as a discretely presented component unit is primarily due to the control by the NDSU president over the final building plans for any new building at the Park. This control is based on feedback from the Legislative Budget Section and is required by the land lease between the State Board of Higher Education and the Park, as well as NDUS policy. The Park was audited by other independent auditors for the fiscal year ended June 30, 2004, and their report dated September 30, 2004, has been previously issued under separate cover.

The **UND Aerospace Foundation** is a North Dakota nonprofit organization organized in 1985 to encourage and develop the University of North Dakota's John D. Odegard School of Aerospace Sciences. The Foundation's principal activities consist of developing and conducting training programs, research and development, and consulting services related to the aerospace industry. The Foundation is managed by a board of directors consisting of five to seven members, including two or more persons who are active in the aerospace industry and/or graduates of UND with an interest in the aerospace industry, elected by the board; a senior manager of the Foundation, elected by the board; the dean of the Odegard School of Aerospace Sciences; and the president of the university. The Foundation benefits the university, financially and otherwise, through its promotion of the Odegard School and its programs and in the sharing of resources. The Foundation is reported as a discretely presented component unit as UND has voting members on the board of directors and because of the extent of the financial relationship between the entities. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2004, and their report dated September 15, 2004, has been previously issued under separate cover.

The **Bismarck State College Foundation** is a legally separate, tax-exempt organization providing support and recognition to BSC through a variety of programs. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the college. The Foundation is managed by a 75-member board of directors comprised of leading citizens, both alumni and friends of the college, as well as seven ex-officio members that are officers/employees of BSC. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2004, and their report dated August 15, 2004, has been previously issued under separate cover.

Minot State University Development Foundation was incorporated in 1978 exclusively for the benefit of Minot State University (MiSU). Its purpose is to establish, promote and stimulate voluntary financial support for the benefit of the university, especially in the building of endowment and in addressing the long-term priorities of the university. The Foundation is managed by a board of directors comprising 13 voting members, two of whom are ex-officio appointments from the Board of Regents and the Alumni Association, and three ex-officio members who are employees of MiSU. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2004, and their report dated October 15, 2004, has been previously issued under separate cover.

North Dakota State University Development Foundation is an incorporated, nonprofit organization developed solely for the benefit of NDSU. The Foundation is approved by the IRS as a charitable, tax-exempt organization and designated by the university as

the repository for private giving to the university. Their purpose is to raise, manage, and disburse contributions for the benefit of NDSU. The Foundation is managed by a 61-member board of trustees comprised of leading citizens, both alumni and friends of the university, as well as three ex-officio members: the president of NDSU and the president and vice president of the Alumni Association. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2004, and their report dated November 30, 2004, has been previously issued under separate cover.

Alumni Association of the University of North Dakota and UND Foundation - The Alumni Association of the University of North Dakota was incorporated in 1915 for the purpose of (1) keeping classmates in contact with each other, (2) keeping graduates and former students informed of happenings at UND, and (3) involving the graduates, former students, and special friends in the ongoing growth and development of UND. UND Foundation was incorporated in 1978 to replace the Alumni Association Development Fund and is the umbrella organization for alumni and private support for the total University of North Dakota. These two legally separate nonprofit corporations have the same board of directors and the same executive vice president, but different board presidents and vice presidents. The board of directors consists of 21 voting members who are alumni of UND and three ex-officio members that are officers of UND. The Alumni Association and the Foundation were audited by other independent auditors for the fiscal year ended June 30, 2004, and their report dated October 1, 2004, has been previously issued under separate cover.

RE Arena, Inc., UND Arena Services, Inc., Arena Holdings Charitable LLC and Affiliates are related organizations with common board of directors and management organized in 2003 for the benefit of UND. These organizations operate and maintain a multipurpose sports and entertainment arena in Grand Forks, ND. The arena is used primarily for UND athletics and activities. UND Sports Facilities, Inc. is the sole member of Arena Holdings Charitable LLC. RE Arena, Inc. conducts the day-to-day operations of the arena as an agent for Arena Holdings. Affiliates of RE Arena market products and services and operate the 2005 World Juniors Hockey Tournament. UND Arena Services, Inc. is the legal manager of Arena Holdings. These organizations were audited by other independent auditors for the fiscal year ended May 31, 2004, and their combined report dated November 15, 2004, has been previously issued under separate cover.

NONMAJOR COMPONENT UNITS

Dickinson State University Foundation, Inc. was organized in 1952 as a nonprofit corporation to provide an avenue through which alumni and friends of the university may contribute financially to the university. Gifts, grants, and bequests to the Foundation benefit present and future students by providing scholarship assistance and the funding of special projects not available through other funding sources. The Foundation is managed by a 26-member board of directors comprised of leading citizens, both alumni and friends of DSU, as well as two ex-officio members that are officers/employees of DSU. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2004, and their report dated August 15, 2004, has been previously issued under separate cover.

Lake Region Community College Foundation was established in 1959 to provide a permanent structure through which support for Lake Region State College could be channeled. The work and the resources of the Foundation are managed by a 27-member board of directors elected by the Foundation membership to serve three-year terms. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2004, and their report dated October 15, 2004, has been previously issued under separate cover.

Mayville State University Foundation was established to act primarily as a fund-raising organization to supplement the resources that are available to Mayville State University (MaSU). The Foundation is managed by a 29-member board of directors comprised of leading citizens, both alumni and friends of the university, as well as three ex-officio members that are officers/employees of MaSU. The **Comet Athletic Club**, a legally separate nonprofit organization, operates as an entity within the Foundation. The Club's purpose is to promote, support, and encourage interest and participation in MaSU sports. Their financial activity is reflected in the Foundation's financial statements.

Minot State University-Bottineau Development Foundation and Logrollers are separate legal entities that were established to act primarily as fund-raising organizations to supplement the resources that are available to MiSU-B. The Foundation and Logrollers are managed by the same eight-member board of directors comprised of leading citizens, both alumni and friends of the college, as well as one ex-officio member that is an officer of MiSU-B. However, each entity has separate committees that direct each organization's activities. The Foundation and Logrollers were audited by other independent auditors for the fiscal year ended June 30, 2004, and their combined report dated October 15, 2004, has been previously issued under separate cover.

North Dakota State College of Science Foundation was established to act primarily as a fund-raising organization to supplement the resources that are available to NDSCS. The Foundation is managed by a 13-member board of directors comprised of leading citizens, both alumni and friends of the college, as well as three ex-officio members that are officers/employees of NDSCS. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2004, and their report dated October 31, 2004, has been previously issued under separate cover.

Valley City State University Foundation was established to support Valley City State University by involving alumni and friends of the university in activities and private giving that meet the university's needs and advance its welfare. The Foundation is managed by a 14-member board of directors comprised of leading citizens, both alumni and friends of the university, and one director each from the Alumni Association, V-500, Booster Board and Regents, as well as two ex-officio members that are officers of VCSU.

Williston State College Foundation was established to act primarily as a fund-raising organization to supplement the resources that are available to WSC. The Foundation is managed by an 11-member board of directors comprised of leading citizens, both alumni and friends of the college. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2004, and their report dated November 1, 2004, has been previously issued under separate cover.

Complete financial statements for each of these individual component units may be obtained at the entity's administrative offices as follows:

Building Authority
600 E. Boulevard Ave., 14th Floor
Bismarck, ND 58505-0310

North Dakota University System Foundation
600 E. Boulevard Ave., Dept. 215
Bismarck, ND 58505-0230

North Dakota State University Research Foundation
1735 NDSU Research Park Drive
Fargo, ND 58105-5014

Comprehensive Health Association
4510 13th Avenue SW
Fargo, ND 58108

Municipal Bond Bank
700 East Main Avenue
Bismarck, ND 58501

North Dakota Development Fund, Inc.
1833 E. Bismarck Expressway
Bismarck, ND 58504

North Dakota State University Research and Technology Park, Inc.
1735 NDSU Research Park Drive
Fargo, ND 58105-5014

University of North Dakota Aerospace Foundation
PO Box 9023
Grand Forks, ND 58202-9023

Bismarck State College Foundation
PO Box 5587
Bismarck, ND 58506-5587

Minot State University Development Foundation
500 University Avenue West
Minot, ND 58707

North Dakota State University Development Foundation
PO Box 5144
Fargo, ND 58105

Alumni Association of the University of North Dakota
PO Box 8157
Grand Forks, ND 58202

Ralph Engelstad Arena, Inc., UND Arena Services, Inc., Arena Holdings Charitable LLC and Affiliates
One Ralph Engelstad Arena Drive
Grand Forks, ND 58203

Dickinson State University Foundation, Inc.
Dickinson State University
Dickinson, ND 58601

Lake Region Community College Foundation
1801 College Drive North
Devils Lake, ND 58301-1598

Mayville State University Foundation
330 3rd Street NE
Mayville, ND 58257

Minot State University-Bottineau Development Foundation and Logrollers
105 Simrall Boulevard
Bottineau, ND 58318

North Dakota State College of Science Foundation
800 Sixth Street North
Wahpeton, ND 58076-0002

Valley City State University Foundation
101 College Street SW
Valley City, ND 58072

Williston State College Foundation
PO Box 1286
Williston, ND 58802-1286

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary

government activities are distinguished between governmental and business-type activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. Net assets restricted by enabling legislation are subject to change by a majority vote of the Legislative Assembly.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide statements are reported using the economic resources management focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

The State follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing accounting principles generally accepted in the United States of America for governmental entities. In accordance with Governmental Accounting Standards Board Statement 20, the State's enterprise funds, with the exception of the Bank of North Dakota, follows all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The Bank of North Dakota follows all applicable FASB pronouncements unless they conflict with the GASB pronouncements.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period.

Major revenues that are determined to be susceptible to accrual include interest, federal grants-in-aid, and taxpayer-assessed taxes such as income, sales, corporate, excise, motor fuel taxes and unemployment compensation contributions. All revenues are determined to be available if collected within one year of fiscal year end. Revenues earned under the terms of reimbursement agreements with other governments or private sources are recorded at the time the related expenditures are made if other eligibility requirements have been met. Sales and use taxes are accrued based upon filings received and an estimate of filings due by June 30. Net income taxes from individuals and corporations are accrued based on current income earned by the taxpayer before June 30. Quarterly filings, withholding statements, and other historical data are used to estimate income. The revenue is accrued net of an allowance for uncollectible taxes. Deferred revenue is recorded for receivables that are measurable but not available at year-end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However,

expenditures related to debt service, compensated absences, and claims and judgments, are recorded only when payment is due and payable.

FINANCIAL STATEMENT PRESENTATION

The State reports the following major governmental funds:

The General Fund is the principal operating fund of the State. It is used to account for all financial resources that are not accounted for in other funds. Included are transactions for services such as education, general government, health services, legal and judiciary, natural resources, public safety, regulatory services, agriculture and commerce, and social services.

The Federal Fund accounts for all the financial resources from the federal government.

The School Permanent Trust Fund accounts for moneys belonging to common schools and other public institutions derived from the sale of or leasing of lands owned by the State.

The State reports the following major enterprise funds:

The Bank of North Dakota Fund finances economic development throughout the state, participates in loans with North Dakota financial institutions and holds interest-bearing deposit accounts for state and political subdivisions of North Dakota.

The Housing Finance Agency Fund is authorized to issue bonds to make loans to mortgage lenders for qualified residential mortgage loans and to make mortgage and construction loans for multi-family housing within the State of North Dakota.

The University System Fund accounts for all financial transactions of the colleges and universities that compose the University System of North Dakota.

The Workforce Safety & Insurance Fund is financed entirely by premiums assessed to the employers of North Dakota and provides no-fault medical and disability insurance to all North Dakota employees.

Additionally, the State reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes. Examples include transportation, regulatory, and other activities.

Debt Service Funds account for resources obtained and used for the payment of interest and principal on revenue bonds that are funded primarily through taxes.

Capital Projects Funds account for resources obtained and used for the acquisition, construction or improvement of certain capital facilities (except those financed by non-governmental funds). Such resources are derived principally from proceeds of revenue bonds.

Permanent Funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry, such as the common schools within the state.

PROPRIETARY FUND TYPES

Enterprise Funds account for those business-like State activities that provide goods/services to the public, financed primarily through user charges. They are also used to account for operations where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes. The State's loan programs, Mill and Elevator, and Fair are reported in this type.

Internal Service Funds account for the financing of goods and/or services provided by one department or agency to another department or agency of a government, or to other governments, on a cost-reimbursement basis. These goods and services include motor pool services; printing, reproduction and mailing services; information technology; risk management; and investment administration services. In the government-wide statements, internal service funds are included with governmental activities.

FIDUCIARY FUND TYPES

Pension and Other Employee Benefits Trust Funds account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plan, deferred compensation plan, flexcomp plan, and other post-employment benefit plans.

Investment Trust Funds account for the transactions, assets, liabilities, and fund equity of the external pool participants (City of Bismarck, ND Association of Counties, and City of Fargo Fargodome RIO Investments). The State Investment Board (SIB) provides administrative services for the external pool participants. SIB issues a publicly available financial report that may be obtained by writing to the Retirement and Investment Office, 1930 Burnt Boat Drive, Bismarck, North Dakota 58503. Investment Trust Funds are accounted for in essentially the same manner as Proprietary Funds.

Private Purpose Trust Funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other

governments. Examples include student donations and the State's college savings plan.

Agency Funds account for assets held by the State as an agent for other governmental units, or other organizations, and do not involve measurement of results of operations.

D. GENERAL BUDGETARY POLICIES AND PROCEDURES

The State operates through a biennial appropriation that represents departmental appropriations recommended by the governor and presented to the Legislative Assembly at the beginning of each legislative session. The Legislative Assembly enacts the budgets of the various state departments through passage of specific appropriation bills. The governor has line item veto powers over all appropriations subject to legislative override.

Once passed and signed, the appropriation bill becomes the departments' financial plan for the next two years. Changes to the appropriation are limited to Emergency Commission authorization, initiative, allotment, or referendum action. The Emergency Commission can authorize receipt of federal or other moneys not appropriated by the Assembly if the Assembly did not indicate intent to reject the money. The Emergency Commission may authorize pass-through federal funds from one state agency to another. The Emergency Commission may authorize the transfer of expenditure authority between appropriated line items. The Legislature has also passed appropriation laws that authorize directors of certain state agencies to transfer appropriation authority among the various divisions of their specific agency, subject to the Budget Section of the North Dakota Legislative Council's approval. Unexpended appropriations lapse at the end of each biennium, except certain capital expenditures covered under the North Dakota Century Code (NDCC) section 54-44.1-11 and the University System's unexpended general fund appropriation authority.

The State's biennial budget is prepared primarily on a cash basis. The State does not use encumbrance accounting. The legal level of budgetary control is at the agency, appropriation, funding source and expenditure line item level, with administrative controls established at lower levels of detail in certain instances. The State does not formally budget revenues, and it does not budget by fund. The State appropriation is defined through the use of specific expenditure line items. Capital appropriations are generally made at the agency and project level.

North Dakota's Appropriation Act does not present budgets by GAAP fund. Instead, it authorizes General Fund appropriation authority by agency and Other Budgeted Income appropriation authority by agency. Other budgeted income includes all budgeted resources, other than the General Fund, and includes some governmental, proprietary, and fiduciary fund activities.

During 2004, the first year of the 2003-2005 biennium, there were general and federal fund supplemental appropriations of $97,079,415.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for reporting purposes includes cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes investments with original maturity of three months or less. Also cash, as reported, may be under the control of the State Treasurer or by other administrative bodies as determined by law. Cash and cash equivalents are presented on the fund balance sheets as "Cash Deposits at the Bank of North Dakota" and "Cash and Cash Equivalents" to present the unique nature of the relationship between the Bank of North Dakota, an enterprise fund, and other state agencies.

Cash Deposits at the Bank of North Dakota. State agency cash balances, as required by law, are pooled by the State Treasurer and deposited in the Bank of North Dakota, an enterprise fund. These cash balances, in addition to other agency cash deposited at the Bank of North Dakota, are included on the fund balance sheets as "Cash Deposits at the Bank of North Dakota". For purposes of the Government-wide Statement of Net Assets, these amounts have been reclassified to internal balances.

Cash and Cash Equivalents. All cash and cash equivalents, (other than cash deposits at the Bank of North Dakota), as permitted by the North Dakota Century Code, are included on the Government-wide Statement of Net Assets as "Cash and Cash Equivalents".

The State had no cash overdrafts from pooled cash and investments at June 30, 2004.

All interest revenue is allocated to the General Fund unless state law (as outlined in the North Dakota Century Code) requires allocations of interest to other funds.

F. INVESTMENTS

All funds of the State record their investments in accordance with Government Accounting Standards Board (GASB) Statement No. 31, *"Accounting and Financial Reporting for Certain Investments."* Investments are recorded at fair value determined by reference to published market data for publicly traded securities and through the use of independent valuation services and appraisals for other investments. The net change in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year.

Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment sold. Unrealized increases or decreases are computed based on changes in the fair value of investments between years. Security transactions are currently accounted for on a trade date basis. Interest income is recorded when earned. Dividend income is recorded on the ex-dividend date. Equity investments of the North Dakota Development Fund, Inc. (component unit of the State) are stated at estimated value in absence of a readily ascertainable market value. The Fund's board of directors estimates these values. Among the factors considered by the Fund's Directors in determining the fair value of investments, are the cost of the investment, developments since the acquisition of the investment, the financial condition and operating results of the issuer, the long-term potential of the business of the issuer, and other factors generally pertinent to the valuation of investments. The Fund's Directors, in making their evaluation, have relied on financial data of the investee and, in many instances, on estimates of the investee as to the potential effect of future developments. Total equity investments in the North Dakota Development Fund, Inc. are valued at $1,700,541 at June 30, 2004. All investments are maintained separately by fund.

Purchases of other state funds' debt issues by the Bank of North Dakota have been recorded as normal business transactions if they are the result of arms-length transactions.

Investments are presented on the fund balance sheets as "Investments at the Bank of North Dakota" and "Investments" to present the unique nature of the relationship between the Bank of North Dakota, an enterprise fund, and other state agencies.

Investments at the Bank of North Dakota. State agency investments, primarily certificates of deposits of the Bank of North Dakota, are included on the fund balance sheets as "Investments at the Bank of North Dakota." For purposes of the Government-wide Statement of Net Assets, these amounts have been reclassified to internal balances.

Investments. State agency investments invested at financial institutions other than the Bank of North Dakota are included on the Government-wide Statement of Net Assets as "Investments."

Differences on the Fund Balance Sheets between the assets, "Cash at the Bank of North Dakota" and "Investments at the Bank of North Dakota," and the liability, "Deposits Held For Other Funds," is attributable to timing differences resulting from the Bank of North Dakota having a different fiscal year end than many of the other state agencies.

G. SECURITIES LENDING

GASB Statement No. 28, *"Accounting and Financial Reporting for Securities Lending Transactions,"* establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their balance sheets. Cash received as collateral and investments made with that cash must also be reported as assets. The statement also requires the costs of the securities lending transactions to be reported as expenses separately from income received. In addition, the statement requires disclosures about the transactions and collateral related to them.

Securities are loaned versus collateral that may include cash, U.S. government securities, and irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102 percent of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105 percent of the market value of the securities plus any accrued interest.

Non-cash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the lender or borrower. The average term of overall loans is ninety-eight days; however, the average term of loans for the Land Department is fifty-five days.

Cash open collateral is invested in a short-term investment pool, the Core USA Collateral Section, which had an interest sensitivity of twenty-four days as of this statement date. Cash collateral may also be invested separately in *"term loans,"* in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower.

There were no significant violations of legal or contractual provisions, and no borrower or lending agent default losses known to the securities lending agent.

There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust (custodian of investments) has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending. Northern Trust indemnifies the State if the borrower fails to return the securities (and if the collateral is inadequate to replace

the securities lent) or fails to pay income distributions on them.

For securities loaned at year end, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State.

H. INTERFUND ACTIVITY AND BALANCES

INTERFUND ACTIVITY

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return or a requirement for repayment. Residual transfer amounts exist in the Government-wide Statement of Activities due to different fiscal year ends of various agencies included in business-type activities.

INTERFUND BALANCES

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

I. INVENTORIES AND PREPAID ITEMS

Inventories of Governmental Funds are valued at cost and are recognized principally using the average cost method. Generally, the cost of Governmental Funds' inventories is recorded as an expenditure when consumed rather than when purchased.

Inventories of Proprietary Funds consist primarily of grain inventories from the North Dakota Mill and Elevator Association. Grain inventories are valued at the June 30 Minneapolis grain market values less freight costs to Minneapolis. Grain committed to production is valued at cost, and grain committed to sale is valued at net commitment price. Flour, feed and resale inventories are valued at ingredient cost plus manufacturing costs incurred in their production. Proprietary Funds expense the cost of consumable supplies when used.

Generally, inventories of University System Funds are valued at the lower of cost or fair market value. Cost is generally determined on the first in/first out, or moving weighted average method. Inventories consist of food, books, and other merchandise held for resale in auxiliaries and unrestricted physical plant supplies.

Federal fund inventories of commodities and vaccines totaling $2,930,523 are recorded as inventory and deferred revenue on the Government-wide Statement of Net Assets.

The Department of Human Services has approximately $3.0 million in food stamp inventory, which is included in the Federal Fund Inventory.

Prepaid items reflect payments for costs applicable to future accounting periods.

Other government fund inventories and prepaid items are reflected as a reservation of fund balance on the balance sheet.

J. UNAMORTIZED BOND ISSUANCE COSTS

In governmental fund types, issuance costs are recognized in the operating statements when incurred. Bond premiums, discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. The unamortized discount is shown on the balance sheet as a reduction of the bonds payable, and the amortization is included in the statement of revenues, expenses and changes in fund balance as interest expense.

K. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, construction in progress and infrastructure assets, are valued at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date of donation. Where necessary, estimates of original cost are derived by factoring price levels from the current period to the time of acquisition. Library books are not capitalized as capital assets except for the University System.

All other capital assets with an original cost of $5,000 ($100,000 or more for infrastructure reported by the Department of Transportation) or more per unit and an estimated useful life in excess of one year are capitalized and reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital asset costs include the purchase price or construction cost, plus the costs necessary to place the asset in its intended location and condition for use. In governmental activities, interest costs on self-constructed assets are not capitalized. In business-type activities, interest costs (if material) on self-constructed assets are also included in the cost. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the

borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. Normal maintenance and repair costs that do not materially add to the value or extend the life of the asset are not capitalized.

Collections of works of art and historical treasures are not capitalized if the following three criteria are met: (1) Held for public exhibition, education, or research in furtherance of public service, rather than financial gain; (2) Protected, kept unencumbered, cared for, and preserved; (3) Subject to organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. The State's non-capitalized collections include the historical artifacts at the various state museums and historical sites, and monuments and other art throughout the capital grounds. Assets that do not meet all three criteria, or that were capitalized as of June 30, 1999, are capitalized and included in the government-wide financial statements.

Infrastructure consists of major statewide public systems and items attached thereto such as freeways, freeway lighting systems, freeway drainage systems, freeway signs, bridges, bridge lighting systems, and sewer systems. Infrastructure is reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Department of Transportation uses the first-in first-out method to remove the capitalized cost of a replaced road along with corresponding accumulated depreciation.

Fixed assets in Governmental Funds are recorded as expenditures in the funds used to acquire or construct them in the governmental fund financial statements. Capital assets, along with accumulated depreciation and depreciation expense are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Land and construction in progress are not depreciated. With the exception of infrastructure reported by the Department of Transportation (which uses the composite method), other capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	10-50
Infrastructure	10-50
Furniture, Automobiles, and Equipment	3-20

L. LEASE COMMITMENTS

The State leases land, office facilities, office and computer equipment, and other assets. Leases are classified according to FASB 13. Many of these leases have fiscal funding clauses; however, these clauses have no effect on classifying these leases for accounting purposes. Leases which represent acquisitions are classified as capital leases, and the related assets and liabilities are recorded in the general purpose financial statements at the inception of the lease. Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease.

M. FEDERAL FUNDS PURCHASED

Federal Funds Purchased represent federal funds borrowed by the Bank of North Dakota from member banks generally on an overnight basis at the federal funds rate.

N. CLAIMS/JUDGMENTS PAYABLE

Claims/Judgments Payable is primarily Workers Compensation Claims Incurred But Not Yet Reported (IBNR) by the claimants as well as claims related to various litigation matters.

O. COMPENSATED ABSENCES

ANNUAL LEAVE

State employees accrue vested annual leave at a variable rate based on years of service. Teachers employed by the State do not receive annual leave. In general, accrued annual leave cannot exceed 30 days at each year end, as set by the agency. The amount of annual leave earned ranges between one and two days per month, and is fixed by the employing unit per section 54-06-14 of the NDCC.

The governmental fund financial statements recognize annual leave when the liability is incurred and payable from available expendable resources. The government-wide financial statements present the cost of accumulated annual leave as a liability. Proprietary and Fiduciary Funds recognize the expense and accrued liability when the annual leave is earned.

SICK LEAVE

The North Dakota Century Code, section 54-06-14, states employees accrue sick leave at the rate of one to a maximum of one and one-half working days per month of employment without limitation on the amount that can be accumulated. Employees vest at ten years of creditable service, at which time the State is liable for ten percent of the employee's accumulated unused sick leave. The governmental fund financial statements recognize sick leave as it is incurred. The government-wide financial statements present the estimated cost of sick leave as a liability after an employee has been employed by the State for six consecutive years.

P. DEPOSITS

The following two liability line items are presented in the Government-wide Statement of Net Assets and/or fund financial statements:

Deposits Held For Other Funds. "Deposits Held For Other Funds" are those deposits held by the Bank of North Dakota for other funds included in the reporting entity and shown on the fund financial statements. For purposes of the Government-wide Statement of Net Assets, these amounts have been reclassified to internal balances.

Other Deposits. "Other Deposits" are those deposits held by the Bank of North Dakota for non-reporting entity third parties. It also includes deposits held for students of the University System.

Differences on the fund balance sheets between the liability "Deposits Held For Other Funds" and the assets "Cash Deposits and Investments at the Bank of North Dakota" are attributable to timing differences resulting from the Bank of North Dakota having a different accounting year end than many other state agencies.

Q. DEFERRED REVENUE

In the government-wide statements and proprietary fund financial statements, deferred revenue is recognized when cash, receivables, or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable.

R. REVENUES AND EXPENDITURES/EXPENSES

In the Government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function for governmental activities (e.g., general government, education, health and human services, etc.). Additionally, revenues are classified between program and general revenues. Program revenues include 1) charges to customers or applicants for goods or services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

In the government-wide financial statements, revenues are reported by source and are further classified as either "general purpose" or "restricted". General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (e.g., federal grants), available only for specified purposes. Unused restricted revenues at year-end are recorded as reservations of fund balance. When both general purpose and restricted funds are available for use, it is the State's policy to use restricted resources first.

In the governmental fund financial statements, expenditures are reported by character: "Current," "Intergovernmental-revenue Sharing," "Capital Outlay," or "Debt Service." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services.

Capital outlay includes expenditures for real property or infrastructure (e.g., highways). Intergovernmental-revenue sharing accounts for the distribution of certain tax revenues that are shared with local units based upon constitutional and statutory requirements. Debt service includes both interest and principal outlays related to bonds and payments on capitalized leases.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g., salaries, depreciation, and purchases for resale). Operating revenues consist of sales of goods and services, quasi-external operating transactions with other funds, grant revenues for specific activities that are considered to be operating activities of the grantor, receipts from other agencies for reimbursement of operating transactions, and other miscellaneous revenue that should be classified as operating. Grants that would qualify as an operating activity are those that do not subsidize an existing program, rather they finance a program the agency would otherwise not undertake. For certain loan and investment programs, revenue that would normally be classified as non-operating should be classified as operating. Examples of this would include interest and investment income. All other revenues that do not meet the above criteria should be classified as non-operating.

S. NET ASSETS/FUND BALANCE

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund statements, and "Fund Balance" on governmental fund statements.

T. CHANGE IN ACCOUNTING PRINCIPLE

The State has implemented the Governmental Accounting Standards Board's Technical Bulletin No. 2004-1, "Tobacco Settlement Recognition and Financial Reporting Entity Issues." In addition to requirements not applicable to the State, the Technical Bulletin establishes an accrual period for governments to recognize tobacco settlement revenues based on the tobacco companies' agreement. The effect on the State of implementing this standard is to accrue additional receivables and revenue for estimated tobacco settlement payments for the period January through June 30.

The State has also implemented the Governmental Accounting Standards Board's Statement No. 39,

"Determining Whether Certain Organizations Are Component Units," which is effective for fiscal year June 30, 2004. This statement requires organizations that are separate from the State, and receive or hold resources that are almost entirely for the direct benefit of the State or its component units, be evaluated for inclusion in the State's financial statement as a potential component unit.

The North Dakota State University System's colleges and universities have foundations that are quantitatively significant; therefore, the foundations' resources and activities are reported in these financial statements as component units.

NOTE 2 – RESTATEMENTS

Certain restatements have been made to beginning fund equity for a change in accounting principle discussed previously and for correction of errors. The following changes to beginning fund equity, as previously reported, are summarized in the following table (expressed in thousands):

	Government-wide Governmental Activities	Government-wide Business-type Activities	School Permanent Trust Fund	Nonmajor Governmental Funds	University System
June 30, 2003, fund balances/net assets, as previously reported	$ 2,196,547	$ 1,470,175	$ 587,356	$ 451,262	$ 610,818
Prior period adjustments:					
Change in accounting principles:					
Tobacco settlement	11,536	-	5,191	6,345	-
Correction of errors	(2,269)	185	-	(1,722)	185
June 30, 2003, fund balances/net assets, as restated	$ 2,205,814	$ 1,470,360	$ 592,547	$ 455,885	$ 611,003

	Internal Service Funds	Major Component Units
June 30, 2003, fund balances/net assets, as previously reported	$ 54,951	$ 139,339
Prior period adjustments:		
Changes in accounting principles:		
GASB Statement No. 39	-	207,895
Correction of errors	(547)	-
June 30, 2003, fund balances/net assets, as restated	$ 54,404	$ 347,234

CORRECTION OF ERRORS

The beginning net assets of the Government-wide Business-type Activities and University System were restated by $185,276. There was an error in calculating depreciation and capitalizing special assessments, $(12,474), and a bond payment paid from agency funds in fiscal year 2003, $197,750.

The beginning net assets of the Government-wide Governmental Activities and Commodity Promotion Fund, a nonmajor governmental fund, were restated by $1,722,020. There was an error in recording accounts payable for legal costs of ongoing litigation.

The beginning net assets of the Government-wide Governmental Activities and Risk Management Fund, an internal service fund, were restated by $546,910. There was a $116,279 error for equipment purchased in fiscal year 2003 not capitalized, and contributions received in fiscal year 2003 not correctly reported as deferred revenue $(663,189).

NOTE 3 - DETAILED NOTES ON ACCOUNT BALANCES

A. DEPOSITS

State law generally requires that all State funds be deposited in the Bank of North Dakota. NDCC 21-04-01 provides that public funds belonging to or in the custody of the State shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, "[a]ll state funds . . . must be deposited in the Bank of North Dakota" or must be deposited in accordance with constitutional and statutory provisions.

The following summary presents the amount of the State's deposits which are fully insured or collateralized with securities held by the State or by its agent in the State's name (Category 1), those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the State's name (Category 2) and those deposits which are not collateralized or are collateralized by the pledging financial institution trust or agent, but not in the State's name (Category 3) at June 30, 2004. Funds deposited at the Bank of North Dakota are not credit risked since the Bank is part of the State's reporting entity. The amounts are expressed in thousands:

Primary Government:

	Category			Total Bank Balance	Carrying Amount
	1	2	3		
Cash Deposits	$ 29,197	$ 951	$ 177,758	$ 207,906	$ 348,929
Certificates of Deposit					
Recorded as Investments	3,111	-	205	3,316	3,316
Total	$ 32,308	$ 951	$ 177,963	$ 211,222	$ 352,245

Major Component Units:

	Category			Total Bank Balance	Carrying Amount
	1	2	3		
Cash Deposits	$ 3,755	$ -	$ 21,267	$ 25,022	$ 23,896
Certificates of Deposit					
Recorded as Investments	2,010	-	-	2,010	2,010
Total	$ 5,765	$ -	$ 21,267	$ 27,032	$ 25,906

Included in the internal receivable amount in the governmental activities column in the Statement of Net Assets is $450,173,821 of Cash and Investments at the Bank of North Dakota for governmental activities. The internal payable amount in the business-type activities column includes $297,270,498 of deposits the Bank has for governmental activities. Because the Bank has a different fiscal year end, these internal balances do not equal.

B. INVESTMENTS

The investment policies of the State of North Dakota are governed by NDCC 6-09-07, 15-10-12, and 21-04-02, indicating that all public funds must be deposited in the Bank of North Dakota unless there are other constitutional or statutory provisions. If there are no statutory provisions and the funds are invested outside the Bank of North Dakota, the state agency must have the permission of the North Dakota Industrial Commission.

Investments are generally managed by the State Investment Board, the North Dakota Board of University and School Lands, the Bank of North Dakota, and the North Dakota State Treasurer's Office. Management responsibilities and investment instruments as authorized by statute are as follows:

1. State Investment Board (SIB) – NDCC 21-10 designates the SIB with investment responsibilities for the Public Employees' Retirement System, Bonding Fund, Teachers' Fund for Retirement, Fire and Tornado Fund, Workforce Safety & Insurance Fund, and other specific funds. The Century Code states the SIB shall apply the prudent investor rule in investing funds under its supervision.

   The State Investment Board's investment policy allows investment managers to use derivative securities. Managers are specifically permitted to use treasury futures and options, S&P 500 index future options, and currency forwards and futures to hedge portfolio risk, but not to speculate or to leverage the portfolio. Managers may use their discretion to use other derivatives to enhance returns, reduce risk, or facilitate the management of index funds. SIB's policy with respect to these derivatives is that their use may not increase the credit, market, or legal risk level associated with a fully invested portfolio of common stocks or fixed income obligations, depending on the manager's designated role.

2. North Dakota Board of University and Schools Lands – The Century Code states that the Board of University and School Lands shall apply the prudent investor rule in investing its funds. Also, NDCC 15-03-04 allows the Board to invest in first

mortgages on farmlands and improvements thereon in this state to the extent such mortgages are guaranteed or insured by the United States or any instrumentality thereof, or if not so guaranteed or insured, not exceeding in amount 80 percent of the actual value of the property on which the same may be loaned, such value to be determined by competent appraisal.

3. The Bank of North Dakota – NDCC 6-09 authorizes the Bank of North Dakota. The Bank is owned and operated by the State of North Dakota under the supervision of the North Dakota Industrial Commission. The Bank may have investments in anything that any bank lawfully may do, except what is restricted by NDCC 6-09.

4. The North Dakota State Treasurer's Office – The North Dakota Constitution and various sections of the Century Code authorize the State Treasurer to invest all State funds deposited with the State Treasury. However, the State Treasurer must invest the public funds with the Bank of North Dakota unless there is statutory authority to do otherwise. Generally, the State Treasurer pools deposits and invests in money market accounts and Bank of North Dakota certificates of deposit.

5. University System – NDCC 15-55-05 and 15-55-06 govern the investment of proceeds of revenue bonds and revenues pledged to bondholders. Investments governed by a gift instrument are covered under NDCC 15-67-04. Subject to any limitations in the gift instrument, such funds may be invested in any real or personal property deemed advisable by the governing board.

The State's investments are categorized below per GASB Statement Three according to the level of credit risk assumed by the State. Category 1 includes investments which are insured or registered, or securities which are held by the State or the State's agent in the State's name. Category 2 includes uninsured and unregistered investments, with securities held by the counterparty or their trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments, with securities which are held by the counterparty or their trust department or agent, but not in the State's name. The amounts are expressed in thousands:

Primary Government:	Category 1	Category 2	Category 3	Fair Value
Equity Securities				
Not on Securities Loan	$ 1,198,032	$ 915	$ 9,977	$ 1,208,924
On Securities Loan	10,108	-	-	10,108
Bonds and Notes				
Not on Securities Loan	834,492	-	32,196	866,688
On Securities Loan	6,741	-	-	6,741
U.S. Government & Agency Issues				
Not on Securities Loan	519,333	222	-	519,555
On Securities Loan	63,067	-	-	63,067
	$ 2,631,773	$ 1,137	$ 42,173	
Investments in Real Estate Pool				179,963
Investments in Unemployment Compensation Pool				54,818
Guaranteed Investment Contract				85,966
Annuities				155
Mutual Funds				1,545,715
Private Equity				119,537
Non-Security Investments				2,000
Held By Brokers/Dealers				4,406
Investments Held By Broker-Dealer Under Securities Loans With Cash Collateral:				
Equity Securities				109,609
Bonds and Notes				127,318
U.S. Government & Agency Issues				281,023
Securities Lending Short-Term Collateral Investment Pool				527,316
Totals				$ 5,712,909

Major Component Units:	Category 1	2	3	Fair Value
Equity Securities	$ 400	$ -	$ 365	$ 765
Bonds and Notes	9,643	-	1,495	11,138
U.S. Government & Agency Issues	106	-	-	106
Obligations of State and Political Subdivisions	1,852	175	171	2,198
	$ 12,001	$ 175	$ 2,031	
Guaranteed Investment Contract				98,971
Non-Security Investments				196,346
Held By Brokers/Dealers				190,994
Investments in Real Estate				15,240
Totals				$ 515,758

There were no violations of statutory authority or contractual provisions for investments during the year ended June 30, 2004.

C. REVERSE REPURCHASE AGREEMENTS

State statutes permit the State to enter into reverse repurchase agreements, that is, the sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in fair value of the securities. All sales of investments under these agreements are for fixed terms. In investing the proceeds of these agreements, State policy is for the term to maturity of the investment to be the same as the term of the agreement. Such matching existed at year end. These agreements are secured by Fed book-entry securities held in the State's name. At June 30, 2004, the State had reverse repurchase agreements of $20,500,000 included in securities lending collateral on the statement of net assets. The highest month end balance for the previous year was $37,000,000, with an average daily balance of $14,216,000. The weighted average interest rate as of year end was .80 percent. The weighted average interest rate paid during the year was .99 percent. The fair value of these securities at June 30, 2004, was $20,500,000.

D. RECEIVABLES

Receivables at June 30, 2004, consist of the following (expressed in thousands):

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Bank of North Dakota	Housing Finance	University System
Receivables:							
Accounts	$ 3,640	$ 5,759	$ 5,191	$ 28,619	$ -	$ 504	$ 12,891
Less Allowance	(465)	-	-	(7,531)	-	-	(855)
Taxes	134,395	-	220	50,328	-	-	-
Less Allowance	(9,823)	-	-	(5,985)	-	-	-
Interest	3	-	4,670	1,839	15,105	2,771	10
Less Allowance	-	-	-	(624)	-	-	-
Current Loans and Notes	115	-	839	75,846	224,853	9,851	6,197
Less Allowance	(20)	-	-	(4,288)	-	-	(460)
Noncurrent Loans and Notes	-	-	23,181	-	1,121,596	493,315	40,442
Less Allowance	-	-	-	-	(25,334)	-	(3,009)
Net Receivables	$ 127,845	$ 5,759	$ 34,101	$ 138,204	$ 1,336,220	$ 506,441	$ 55,216

	Workforce Safety & Insurance	Other Enterprise Funds	Internal Service Funds	Fiduciary Funds	Major Component Units	Total
Receivables (continued):						
Accounts	$ 23,388	$ 42,263	$ 61	$ 7,437	$ 6,290	$ 136,043
Less Allowance	(4,500)	(5,027)	-	-	-	(18,378)
Taxes	-	-	-	10,535	-	195,478
Less Allowance	-	-	-	(421)	-	(16,229)
Interest	7,619	5,780	53	9,411	3,474	50,735
Less Allowance	-	-	-	-	-	(624)
Current Loans and Notes	-	39,475	-	-	2,289	359,465
Less Allowance	-	(23)	-	-	-	(4,791)
Noncurrent Loans and Notes	-	142,886	-	-	10,166	1,831,586
Less Allowance	-	(1,639)	-	-	(6,561)	(36,543)
Net Receivables	$ 26,507	$ 223,715	$ 114	$ 26,962	$ 15,658	$ 2,496,742

E. INTERFUND ACCOUNTS AND TRANSFERS

DUE FROM OTHER FUNDS/DUE TO OTHER FUNDS

Interfund balances at June 30, 2004, consist of the following (expressed in thousands):

Due To General Fund From:	
Federal Fund	$ 53,997
Nonmajor Governmental Funds	7,945
Nonmajor Enterprise Funds	26,259
All Others	1,852
Total Due To General Fund	$ 90,053
Due To Federal Fund From:	
General Fund	$ 3,120
Nonmajor Governmental Funds	7,333
All Others	1,849
Total Due To Federal Fund	$ 12,302
Due To Internal Service Funds From:	
Nonmajor Governmental Funds	$ 2,472
All Others	1,754
Total Due To Internal Service Funds	$ 4,226
Due To School Permanent Trust Fund From:	
Nonmajor Enterprise Funds	$ 4,364
All Others	1,190
Total Due To School Permanent Trust Fund	$ 5,554

Included in the Nonmajor Enterprise Funds is an advance from the Developmentally Disabled Fund for $2,983,227. This is not expected to be repaid within one year.

Due To Nonmajor Governmental Funds From:	
General Fund	$ 2,966
Federal Fund	17,501
All Others	2,310
Total Due To Nonmajor Governmental Funds	$ 22,777
Due To Bank of North Dakota From:	
General Fund	$ 4,775
University System	10,985
Housing Finance	17,977
Nonmajor Enterprise Funds	13,025
All Others	150
Total Due To Bank of North Dakota	$ 46,912

$10,164,854 from the University System and $13,107,000 from the Mill and Elevator are the result of loans made by the bank. The University System is not expected to be repaid within one year, and the Mill and Elevator is a short-term loan.

Due To University System From:	
General Fund	$ 3,946
Nonmajor Governmental Funds	2,573
All Others	352
Total Due To University System	$ 6,871
Due To All Other Funds From:	
All Other	$ 417

Included in this category are all other enterprise funds, component units, and fiduciary funds.

These balances are a result of a time lag between the dates that (1) services are provided and goods received or reimbursable expenditures occur, (2) the payments are made, (3) the transactions are entered into the accounting system, and (4) because of transactions occurring between funds with a fiscal year other than June 30, 2004.

A reconciliation of Due From's and Due To's is presented below (expressed in thousands):

Due From's		$ 189,112
Differences:		
Bank of ND/General Fund	16,785	
Housing Finance/Bank of ND	(4,886)	
Bank of ND/Mill & Elevator	(3,500)	
University System/Bank of ND	71	
Internal Service Funds/Bank of ND	3,958	
Job Service/Bank of ND	434	
Student Loan Trust/Bank of ND	(8)	
Developmentally Disabled Loan Fund/ School Permanent Trust Fund	(950)	
Emergency Management/Bank of ND	(3,442)	
Guaranteed Student Loan/Bank of ND	453	
Bank of ND/Governmental Agencies	(124)	
Total Differences		8,791
Due To's		$ 197,903

In addition, the total Internal Receivables and Internal Payables on the Government-wide Statement of Net Assets does not equal due to activity occurring between funds that have different fiscal year ends.

INTERFUND TRANSFERS

A summary of interfund transfers for the fiscal year ended June 30, 2004, follows (expressed in thousands):

	Transfers In					
	General	Federal	Non-major Governmental	University System	Non-major Enterprise	Total
Transfers Out						
General	$ -	$ 16	$ 11,239	$ 208,957	$ 1,346	$ 221,558
Federal	1	-	29,927	-	-	29,928
School Permanent Trust Fund	-	-	30,789	1,499	-	32,288
Non-major Governmental	38,154	106	31,933	5,338	1,033	76,564
Bank of North Dakota	24,909	-	75	-	300	25,284
Housing Finance	-	-	25	-	24	49
University System	-	34	6,025	-	-	6,059
Non-major Enterprise	31,194	-	381	356	4,123	36,054
Total	$ 94,258	$ 156	$ 110,394	$ 216,150	$ 6,826	$ 427,784

(Transfers In do not agree to the statements due to the timing differences noted below.)

Transfers are used for the following purposes:

- Move general fund appropriation amounts to certain agencies.
- Move revenues from the fund that statute requires to collect them to the fund authorized to spend them.
- Move certain excess revenues collected in other funds to the general fund.
- Move receipts restricted for debt service from the funds collected to the debt service funds as payments become due, and move capital project funds paying the construction costs.

For the year ended June 30, 2004, transfers of excess profits of $30.0 million were made from the Bank of North Dakota as well as legislatively-mandated transfers of $26.3 million, $18.0 million, and $1.5 million from Student Loan Trust, North Dakota Health Care Trust Fund and Bonding Fund, respectively, to the General Fund.

A reconciliation of Transfers In and Transfers Out is presented below (expressed in thousands):

Transfers In		$ 430,705
Differences:		
General Fund/Bank of ND	(5,091)	
General Fund/Developmentally Disabled Loan Fund	2,004	
Human Services/ Developmentally Disabled Loan Fund	379	
Industrial Commission/Bank of ND	37	
Beginning Farmer/Ag PACE	(250)	
Total Differences		(2,921)
Transfers Out		$ 427,784

The above timing differences of $2,920,859 result from transactions between agencies that have different fiscal year ends. This difference is also the total net transfers on the Government-wide Statement of Activities.

F. CAPITAL ASSETS

PRIMARY GOVERNMENT:

The following is a summary of capital assets during the fiscal year (expressed in thousands):

Description	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	$ 39,973	$ 3,396	$ (89)	$ 43,280
Construction in Progress	174,396	90,558	(57,886)	207,068
Total Capital Assets Not Being Depreciated	214,369	93,954	(57,975)	250,348
Capital Assets Being Depreciated:				
Buildings and Improvements	337,303	18,731	(1,932)	354,102
Equipment	189,058	20,946	(19,462)	190,542
Infrastructure	2,834,637	66,739	(118)	2,901,258
Total Capital Assets Being Depreciated	3,360,998	106,416	(21,512)	3,445,902
Less Accumulated Depreciation for:				
Buildings and Improvements	(141,569)	(8,226)	1,623	(148,172)
Equipment	(97,960)	(15,249)	14,671	(98,538)
Infrastructure	(2,176,534)	(122,713)	78	(2,299,169)
Total Accumulated Deprecation	(2,416,063)	(146,188)	16,372	(2,545,879)
Total Capital Assets Being Depreciated, Net	944,935	(39,772)	(5,140)	900,023
Governmental Activities Capital Assets, Net	$ 1,159,304	$ 54,182	$ (63,115)	$ 1,150,371

Description	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	$ 16,989	$ 1,583	$ (7)	$ 18,565
Construction in Progress	35,623	26,713	(31,280)	31,056
Total Capital Assets Not Being Depreciated	52,612	28,296	(31,287)	49,621
Capital Assets Being Depreciated:				
Buildings and Improvements	626,121	62,524	(704)	687,941
Equipment	296,529	28,445	(9,253)	315,721
Infrastructure	135,849	2,879	(623)	138,105
Total Capital Assets Being Depreciated	1,058,499	93,848	(10,580)	1,141,767
Less Accumulated Depreciation for:				
Buildings and Improvements	(294,281)	(15,852)	484	(309,649)
Equipment	(180,406)	(19,890)	7,262	(193,034)
Infrastructure	(45,008)	(3,554)	400	(48,162)
Total Accumulated Deprecation	(519,695)	(39,296)	8,146	(550,845)
Total Capital Assets Being Depreciated, Net	538,804	54,552	(2,434)	590,922
Business-Type Activities Capital Assets, Net	$ 591,416	$ 82,848	$ (33,721)	$ 640,543

Description	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Major Component Units:				
Capital Assets Not Being Depreciated				
Land	$ 2,241	$ 1,228	$ (375)	$ 3,094
Construction in Progress	49	4,768	(49)	4,768
Total Capital Assets Not Being Depreciated	2,290	5,996	(424)	7,862
Capital Assets Being Depreciated:				
Buildings and Improvements	3,581	103,480	-	107,061
Equipment	13,069	2,051	(232)	14,888
Infrastructure	1,100	65	(508)	657
Total Capital Assets Being Depreciated	17,750	105,596	(740)	122,606
Less Accumulated Depreciation for:				
Buildings and Improvements	(406)	(2,776)	-	(3,182)
Equipment	(2,231)	(1,427)	76	(3,582)
Infrastructure	(64)	(43)	-	(107)
Total Accumulated Deprecation	(2,701)	(4,246)	76	(6,871)
Total Capital Assets Being Depreciated, Net	15,049	101,350	(664)	115,735
Business-Type Activities Capital Assets, Net	$ 17,339	$ 107,346	$ (1,088)	$ 123,597

Beginning capital asset balances were adjusted for certain reclassifications.

Depreciation expense was charged to functions/programs of the primary government as follows (expressed in thousands):

Governmental Activities:	
General Government	$ 3,446
Education	296
Health and Human Services	6,337
Regulatory	123
Public Safety & Corrections	4,923
Agriculture and Commerce	121
Natural Resources	3,681
Transportation	127,261
Total Governmental Activities Depreciation Expense	$ 146,188

Construction In Progress is composed of the following (expressed in thousands):

Project Description:

Governmental Activities	Amount Authorized	Amount Expended Through June 30, 2004	Balance Authorized
Corrections	$ 3,031	$ 525	$ 2,506
Job Service	437	437	-
Adjutant General	3,653	669	2,984
Department of Transportation	211,602	188,681	22,921
Human Services	2,838	1,901	937
Game and Fish	972	32	940
Health Department	5,884	4,120	1,764
ConnectND Software System	19,940	10,703	9,237
Total Governmental Activities	$ 248,357	$ 207,068	$ 41,289

Business-Type Activities	Amount Authorized	Amount Expended Through June 30, 2004	Balance Authorized
Mill and Elevator	$ 895	$ 292	603
University System	98,855	30,764	68,091
Total Business-Type Activities	$ 99,750	$ 31,056	$ 68,694

Major Component Units	Amount Authorized	Amount Expended Through June 30, 2004	Balance Authorized
RE Arena, Inc.	$ 7,800	$ 4,768	$ 3,032

G. OPERATING LEASES

PAYMENTS ON OPERATING LEASES

The State is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the resulting expenditures are recognized as incurred. Lease expenditures for the year ended June 30, 2004, amounted to $9,038,047 for governmental activities and $6,050,111 for business-type activities.

Future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2004, for all fund types are as follows (expressed in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2005	$ 7,031	$ 5,180
2006	1,792	2,339
2007	1,195	1,825
2008	762	920
2009	496	361
2010-2014	1,342	969
2015-2019	119	-
Total Minimum Lease Payments	$ 12,737	$ 11,594

H. CAPITAL LEASES

The State is obligated under certain leases accounted for as capital leases. In the government-wide and proprietary fund statements, capital assets and a corresponding liability are recorded at the inception of the lease. The liability is reduced by payments of principal, with a portion of the payment allocated to interest expense. For capital leases in governmental funds, other financing sources and expenditures are recorded at lease inception. Lease payments are recorded as debt service expenditures.

The schedule below lists the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at June 30, 2004 (expressed in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities	Fiduciary Funds	Major Component Units
2005	$ 436	$ 6,468	$ 4	$ 126
2006	423	5,612	2	126
2007	326	3,882	1	126
2008	31	3,583	-	126
2009	1	3,578	-	126
2010-2014	-	10,169	-	632
2015-2019	-	5,335	-	632
2020-2024	-	5,228	-	632
2025-2029	-	2,124	-	632
2030-2034	-	-	-	632
Total Minimum Lease Payments	1,217	45,979	7	3,790
Less: Amount Representing Interest	(85)	(11,849)	-	(1,790)
Present Value of Future Minimum Lease Payments	$ 1,132	$ 34,130	$ 7	$ 2,000

The historical costs of assets acquired under capital leases, and included as capital assets on the government-wide statement of net assets at June 30, 2004, is as follows (expressed in thousands):

	Governmental Activities	Business-Type Activities	Major Component Units
Infrastructure	$ -	$ 1,160	$ -
Buildings	-	36,998	-
Equipment	1,809	22,101	2,000
Less: Accumulated Depreciation	(552)	(10,481)	-
Total	$ 1,257	$ 49,778	$ 2,000

I. LONG-TERM DEBT

Debt authorized is generally limited by the state constitution. The Constitution of North Dakota provides that the State may issue or guarantee the payment of bonds, provided that all bonds in excess of $2 million are: (1) secured by first mortgage upon property and no further indebtedness may be incurred by the State unless evidenced by a bond issue; (2) authorized by law; (3) for a certain purpose; (4) provisioned to pay the interest semiannually; and (5) the principal is paid within 30 years. Additionally, the law authorizing the bond issue must specifically appropriate the provisions to the payment of the principal and interest of the bond.

BONDS AND NOTES PAYABLE

Bonds payable at June 30, 2004, consisted of bonds issued by the State and are accounted for by the respective state agencies in the government-wide financial statements that issued the bonds.

1. REVENUE BONDS

Current state statutes empower certain state agencies to issue bonds as part of their activities. This debt is not backed by the full faith and credit of the State of North Dakota. The principal and interest on such bonds shall be payable only from the applicable agency's program income.

Primary Government

BUILDING AUTHORITY

The 2002 Series C Bonds have interest payable semiannually on February 15 and August 15 of each year. The 1998 Series A, B, and C Bonds, the 2000 Series A Bonds, the 2001 Series A Bonds, the 2002 Series A, B and D Bonds, and the 2003 Series A, B, and C Bonds have interest payable semiannually on June 1 and December 1 of each year. The bonds of each series are subject to optional and/or extraordinary optional redemption prior to maturity upon the occurrence of certain events. The bonds are independently secured by the funds, certain mortgaged property, and all rights, titles, and interests of the Building Authority as lessor, including all basic rent payments, investment earnings on the funds and any other income derived by the Building Authority with respect to the lease.

All the bond agreements require the establishment and maintenance of reserve funds to be used for debt service payments if amounts in the bond funds are insufficient to make payments. Reserve funds are also required for any positive arbitrage due to the federal government.

Lignite Research

The Industrial Commission is authorized by NDCC 54-17.5 (the "Act") to provide funds and financial assistance to qualified persons for projects related to the clean use of lignite in order to insure economic growth, maintain and enhance development of North Dakota lignite and general welfare in North Dakota. The Industrial Commission is authorized and has established a program to issue and sell North Dakota Lignite Research Bonds to provide funds for the purpose stated in the Act. As of June 30, 2004, there were $16 million of authorized and $8,825,000 issued through the Lignite Research Fund. The Commission's intention is not to issue any bonds in the future.

The 1995 Series A Bonds have interest payable on May 15 and November 15 of each year. The bonds maturing on November 15, 2005, are subject to mandatory redemption equal to 100% of par plus accrued interest at various amounts in 2005. The bonds are also subject to extraordinary redemption upon the occurrence of certain events. Proceeds of the bonds are being used to provide a grant for funding of construction of an anhydrous ammonia plant.

Water Commission

The Water Commission is authorized by Senate Bill No. 2188 from the 1999 Legislative Session to issue bonds to finance various flood control and pipeline projects throughout the state of North Dakota. Authorized and unissued bonds totaled $60,257,958 at June 30, 2004. Water development projects that will benefit from the financing are as follows:

Statewide Water Development Projects	$ 60,000,000
Southwest Pipeline Project	257,958

Interest is payable semiannually on January 1 and July 1 of each year for the Series 1997 A and Series 2000 A Term Bonds, March 1 and September 1 of each year for the Series 1998 A Bonds, and February 1 and August 1 for the Series 2000 A Serial Bonds. Interest is payable annually on July 1 of each year for all other series bonds. The bonds of each series are subject to optional and/or extraordinary optional redemption prior to maturity at the option of the Water Commission or the occurrence of certain events. All redemption prices are at par plus accrued interest.

State Fair

Interest on the 2001 Series Bonds is payable semi-annually on June 1 and December 1 of each year. The bonds maturing on December 1, 2011, are not subject to optional redemption prior to maturity, except under extraordinary circumstances.

Student Loan Trust

The Series C Bonds are zero coupon bonds with interest accruing monthly and the face value payable at maturity. These bonds were issued to refund a portion of the 1979 Series A and 1984 Series A Bonds and to provide funds for the acquisition of student loans from the Bank of North Dakota.

The proceeds of the 1996 Series B Bonds were used to refund the July 1, 1996, principal maturity of the 1988 Series A and B, 1989 Series B, and 1992 Series A Bonds. Interest is payable semiannually on January 1 and July 1 of each year. The 1996 Series B Bonds are variable rate bonds initially issued as auction rate certificates. The rate of interest will be determined each 35-day period. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the auction rate bonds are outlined in Schedule A of the First Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds Second General Bond Resolution. Under certain conditions, the Industrial Commission may call for early redemption of the 1996 Series B Bonds at 100% of the principal amount plus accrued interest to date of redemption.

The proceeds of the 1996 Series D Bonds were used to finance the acquisition of supplemental loans. These bonds are subject to redemption prior to maturity at the option of the Industrial Commission on July 1, 2006, at 100% of the principal amount plus accrued interest to date of redemption.

Interest is payable semiannually on January 1 and July 1 of each year for the 1997 Series B Bonds.

The proceeds of the Series 1997 Bonds were used to refund the current maturities of the 1988 Series A and B, 1989 Series B and 1992 Series A Bonds on July 1, 1997, and to current refund and redeem the remainder of the 1988 Series A Bonds at a redemption price of 103% on August 1, 1997.

The 1997 Series B Bonds are variable rate bonds initially issued as auction rate certificates. The rate of interest will be determined each 35-day period. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the auction rate bonds are outlined in Schedule A of the Second Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds Second General Bond Resolution. Under certain conditions, the Industrial Commission may call for an early redemption of the 1997 Series B Bonds at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption. The 1997 Series B Bonds are subject to mandatory redemption prior to maturity at a redemption price equal to 100% of the principal amount of $11,600,000, plus accrued interest, on January 1, 2006.

Interest on the 1998 Series B Bonds is payable semiannually on June 1 and December 1 of each year. The proceeds of the Series 1998 Bonds were used to refund the current maturities of the 1988 Series B Bonds and the 1989 Series B Bonds on July 1, 1998, and to call $32,670,000 of the 1989 Series A and B Bonds at a redemption price of 103% on August 1, 1998. The 1998 Series B Bonds are variable rate bonds initially issued as auction rate certificates. The rate of interest will be determined each 35-day period. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the auction rate bonds are outlined in Schedule A of the Second Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds Second General Bond Resolution. Under certain conditions, the Industrial Commission may call for early redemption of the 1998 Series B Bonds at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption.

The 2000 Series A Bonds are variable rate bonds initially issued as auction rate certificates. Interest is payable semiannually on June 1 and December 1 of each year. The maximum rate of interest is 12% per annum. The proceeds of the Series 2000 Bonds were used to provide funds for the acquisition of student loans from the Bank of North Dakota. Details of the terms and provisions of the auction rate bonds are outlined in Schedule A of the Second Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds Second General Bond Resolution. The 2000 Series B Bonds are fixed rate bonds. Under certain conditions, the Industrial Commission may call for early redemption of the 2000 Series A and B Bonds at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption.

Interest is payable semiannually on June 1 and December 1 of each year. The 2004 Series A Bonds are variable rate bonds. The rate of interest is determined based on the one-month LIBOR plus .7%. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the variable rate bonds are outlined in Section 2.4 of the Second Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds First General Bond Resolution. The Series 2004 Bonds are subject to redemption prior to maturity at the option of the Commission from any source of funds, in whole or in part, on any date at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption.

Housing Finance

Housing Finance Bonds were issued to provide financing to purchase mortgage loans to finance multifamily housing projects. The bonds are the direct obligation of the Housing Finance Agency and are secured by the mortgage loans purchased under the applicable resolutions; the revenues, prepayments, insurance and foreclosure proceeds received related to the mortgage loans; and certain funds and accounts established pursuant to the applicable bond resolution. The term bonds of all bond series have mandatory sinking fund requirements starting in 1998.

Major Component Units

Municipal Bond Bank

The bonds of the Municipal Bond Bank were issued to provide financing to purchase municipal securities in order to provide local political subdivisions with funds to finance local projects. The bonds are direct obligations of the Municipal Bond Bank and are secured by municipal securities purchased under the applicable resolutions, interest earnings and certain accounts established pursuant to the applicable bond resolutions.

Revenue Bonds outstanding (expressed in thousands):

Fund Type/Fund	Maturities	Interest Rates	Balance 6/30/04
Primary Government			
Governmental:			
Building Authority	2005-2023	2.00 – 5.60	$ 91,451
Lignite Research	2005-2006	5.75	2,860
Water Commission	2005-2042	2.50 – 6.00	46,112
Information Technology Department	2006-2014	4.28	5,961
Proprietary:			
State Fair	2005-2011	3.25 – 4.60	1,924
Student Loan Trust	2006-2036	1.27 – 7.25	125,388
Housing Finance:			
Multi-Family	2005-2024	5.05 – 6.85	10,018
Single-Family	2005-2036	1.45 – 7.00	575,514
University System:			
VCSU—Valley City	2005-2033	4.30 – 7.25	3,737
Williston State College	2005-2019	0 – 4.75	1,299
Lake Region State College	2005-2017	3.00 – 5.125	1,050
UND—Grand Forks	2005-2034	0 – 4.80	43,771
NDSU—Fargo	2005-2032	0 – 5.60	46,817
NDSCS—Wahpeton	2005-2016	0 – 5.50	2,437
MiSU–Minot	2005-2013	3.00 – 4.75	4,266
MiSU—Bottineau	2005-2012	4.30 – 6.90	192
MaSU—Mayville	2005-2018	3.00 – 5.38	3,277
DSU—Dickinson	2005-2019	4.30 – 5.90	1,208
BSC—Bismarck	2005-2009	4.00 – 6.10	438
NDUS – Univ. Sys. State Office	2006-2014	4.28	14,200
Total Revenue Bonds Payable— Primary Government			$ 981,920
Major Component Units			
Proprietary:			
Municipal Bond Bank	2005-2028	2.00 – 10.00	$ 158,901
NDSU Development Foundation	2005-2019	5.19	1,630
Arena Holdings Charitable LLC	2005-2031	2.50 – 3.93	7,500
UND Foundation	2005-2027	2.02 –5.95	12,938
Total Revenue Bonds Payable— Major Component Units			$ 180,969

Debt service requirements to maturity on revenue bond issues for the fiscal years ending June 30 are summarized below (expressed in thousands):

Primary Government:

Governmental Activities

Fiscal Year	Principal	Interest
2005	$ 7,960	$ 6,880
2006	10,621	6,542
2007	9,041	6,089
2008	10,264	5,659
2009	10,195	5,187
2010-2014	40,954	19,350
2015-2019	32,316	10,454
2020-2024	17,720	3,482
2025-2029	3,021	1,383
2030-2034	1,592	847
2035-2039	1,816	424
2040-2044	740	80
Bond Premium	1,018	(1,018)
Deferred Amount On Refunding	(874)	874
Total	$ 146,384	$ 66,233

Business-type Activities

Fiscal Year	Principal	Interest
2005	$ 14,550	$ 34,826
2006	62,577	34,955
2007	19,875	33,570
2008	20,118	32,703
2009	20,908	31,835
2010-2014	116,639	143,871
2015-2019	106,045	116,064
2020-2024	114,855	88,752
2025-2029	173,855	52,466
2030-2034	97,050	17,245
2035-2039	89,589	1,747
Less Bond Discount	(263)	263
Deferred Amount On Refinancing	(90)	90
Accrued Interest At Maturity On Zero Coupon Bonds	(172)	172
Total	$ 835,536	$ 588,559

Major Component Units

Fiscal Year	Principal	Interest
2005	$ 9,020	$ 7,913
2006	9,786	7,682
2007	10,063	7,187
2008	10,286	6,675
2009	10,480	6,197
2010-2014	53,503	23,916
2015-2019	50,608	12,054
2020-2024	22,313	3,038
2025-2029	4,409	416
2030-2034	305	10
Bond Premium	196	(196)
Total	$ 180,969	$ 74,892

2. NOTES PAYABLE

The following is a schedule of notes payable outstanding at June 30, 2004 (expressed in thousands):

Fund Type/Fund	Maturities	Interest Rates	Balance 6/30/04
Primary Government			
Governmental:			
Job Service North Dakota	2006	3.57-5.68	$ 651
Information Technology Department	2004	4.18-6.64	434
Department of Corrections	2005 – 2015	4.59	462
Department of Human Services	2005 – 2014	4.24	3,909
Proprietary:			
Bank of North Dakota--Short Term (1)	2005	1.04	125,000
Bank of North Dakota--Long Term	2005 - 2022	2.98 – 7.35	400,795
University Systems	2005-2019	4.09-5.52	9,458

Major Component Units

Municipal Bond Bank (2)	2019	2.84	6,460
UND Aerospace Foundation	2005-2009	3.425-4.00	4,210
MiSU Development Foundation	2005-2008	6.00	30
NDSU Development Foundation	2005-2013	2.77 – 4.25	3,029
UND Foundation	2005-2012	1.98 – 4.31	873

(1) The Bank of North Dakota issued short-term debt to fund loans on a short-term basis.
(2) The Municipal Bond Bank note payable is to the Bank of North Dakota, part of the primary government.

Debt service requirements to maturity for notes payable for the fiscal years ending June 30 are summarized below (expressed in thousands):

Primary Government:

Governmental Activities

Fiscal Year	Principal	Interest
2005	$ 993	$ 256
2006	816	195
2007	363	160
2008	395	142
2009	415	124
2010 – 2014	2,453	328
2015 – 2019	21	-
Total	$ 5,456	$ 1,205

Business-type Activities

Fiscal Year	Principal	Interest
2005	$ 148,957	$ 22,809
2006	64,904	20,834
2007	24,538	17,912
2008	15,960	16,873
2009	96,306	12,054
2010-2014	103,826	41,834
2015-2019	56,162	19,858
2020-2024	24,600	3,658
Total	$ 535,253	$ 155,832

Major Component Units

Fiscal Year	Principal	Interest
2005	$ 3,780	$ 330
2006	641	295
2007	1,352	247
2008	1,826	213
2009	400	152
2010-2014	1,738	890
2015-2019	4,120	339
2020-2024	745	10
Total	$ 14,602	$ 2,476

Changes in General Long-Term Liabilities

Changes in Long-Term Liabilities for the year ended June 30, 2004, are summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Notes Payable	$ 5,671	$ 4,804	$ (5,020)	$ 5,455	$ 992
Bonds Payable	146,795	7,461	(7,872)	146,384	7,960
Capital Leases Payable	2,240	277	(1,385)	1,132	404
Intergovernmental Payable	617	72	(21)	668	41
Compensated Absences	28,382	18,780	(18,476)	28,686	1,367
Claims/Judgments Payable	5,863	2,587	(2,391)	6,059	3,180
Total Long-Term Liabilities	$ 189,568	$ 33,981	$ (35,165)	$ 188,384	$ 13,944

Business-Type Activities:					
Notes Payable—Short-Term	$ 25,000	$ 1,190,000	$(1,090,000)	$ 125,000	$ 125,000
Notes Payable—Long-Term	402,683	23,567	(15,997)	410,253	23,957
Bonds Payable	886,185	145,388	(196,038)	835,535	14,550
Capital Leases Payable	31,798	9,318	(6,986)	34,130	4,934
Intergovernmental Payable	12,610	12,036	(13,582)	11,064	1,164
Compensated Absences	18,879	2,474	(1,174)	20,179	1,597
Claims/Judgments Payable	579,317	134,883	(109,399)	604,801	70,558
Total Long-Term Liabilities	$ 1,956,472	$ 1,517,666	$(1,433,176)	$ 2,040,962	$ 241,760
Major Component Units:					
Notes Payable	$ 15,281	$ 4,000	$ (4,679)	$ 14,602	$ 3,780
Bonds Payable	149,608	60,645	(29,284)	180,969	8,285
Capital Leases Payable	-	2,000	-	2,000	32
Intergovernmental Payable	1,405	83	(759)	729	22
Total Long-Term Liabilities	$ 166,294	$ 66,728	$ (34,722)	$ 198,300	$ 12,119

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, $1,248,482 of internal service fund compensated absences and $5,058,957 of claims and judgments are included in the above amounts. Other governmental activities compensated absences generally have been liquidated by the General Fund (57%), the Highway Fund (16%), the Federal Fund (20%), and other various funds. Other governmental activities claims and judgments are generally liquidated by the Insurance Regulatory Trust Fund (78%), Highway Fund (21%), and the Petroleum Release Compensation Fund (1%).

3. DEFEASED DEBT

Primary Government

Building Authority

On July 18, 2002, the Building Authority issued $16,425,000 Lease Revenue Refunding Bonds, 2002 Series D. The proceeds of the issue were used for an advance refunding of 1995 Series A. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded bonds. The reacquisition price exceeded the net carrying amount of the old debt by $999,000. This amount is netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. The current refunding was undertaken to reduce total debt service payments over the next fifteen years by $561,000 and resulted in an economic gain of $478,000. As of June 30, 2004, $13,840,000 of bonds outstanding is considered defeased and the liability for those bonds is not reflected on the State's financial statements.

Housing Finance

Previous to July 1, 1999, Housing Finance defeased certain general obligation bonds by placing bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. At June 30, 2004, $6,900,000 of bonds outstanding are considered defeased.

University System

Mayville State University

On July 1, 1998, Mayville State University issued $695,000 of Student Center Refunding Revenue Bonds (Series 1998) with an average interest rate of 4.40%. These bonds were used to advance refund $640,000 of outstanding 1989 Student Center Revenue Bonds (with an average interest rate of 7.40%). The net proceeds of $666,673 (after payment of $28,327 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government Securities. Those securities are deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1989 Student Center Revenue Bonds. As a result, the 1989 bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net assets. The principal amount outstanding as of June 30, 2004, of the original bonds refunded by the advance refunding of 1998 totaled $350,000.

Minot State University

On June 2, 1992, Minot State University placed the proceeds of the $2,620,000 Student Housing Revenue Refunding Bonds of 1992 in an irrevocable trust with an escrow agent to provide for future debt service payments of the existing revenue bonds. The purpose of the 1992 Bonds was to refund in advance of maturity the 1966 Student Union Construction and Refunding Bonds and

the 1985 Student Housing Revenue Bonds. As a result, the trust account assets and the liabilities for the defeased bonds are not included in the State's financial statements.

The principal amount outstanding as of June 30, 2004, of the original bonds refunded (considered defeased) by the advance refunding total $100,000.

University of North Dakota

On January 1, 1998, the University of North Dakota issued $22.6 million of Housing and Auxiliary Facilities Improvement and Refunding Revenue Bonds (Series 1998 A) with an average interest rate of 4.70%. These bonds were used to advance refund $20.4 million of outstanding 1988 Series A and B Housing and Auxiliary Facilities Refunding Revenue Bonds (with an average interest rate of 7.50%) and to provide $450,000 for parking lot construction at the Rural Technology Center. The principal amount outstanding as of June 30, 2004, of the original bonds refunded by the advanced refunding of 1998 totaled $15,005,000.

Housing and Auxiliary Facilities Revenue Bonds Series I and Series J, which were included in the advance refunding of 1984 as described above, were originally issued in 1975 for the purpose of advance refunding certain outstanding bonds of the university. The principal amount outstanding as of June 30, 2004, of the original bonds refunded by the advance refunding of 1975 totaled $555,000.

All of the refunded bonds are considered "defeased" and have debt service needs covered by U.S. Government securities which are held in a special trust administered by the Bank of North Dakota. As such, neither the assets of the trust nor the related bonds payable are included in the accompanying statement of net assets.

Certificates of Participation totaling $20,450,000 were originally issued by UND in 1990 to: (1) reimburse the University for certain expenses incurred for capital improvements; (2) refinance the costs of certain equipment; and (3) finance the acquisition of certain equipment and real property, to fund a reserve, and to pay the costs of issuance. Subsequent to this issuance, the 1991 North Dakota Legislature, in House Bill 1003, directed the University to retire those certificates originally issued for the acquisition of certain equipment and real property and to fund a reserve. Therefore, in December 1991, $6,025,000 in certificates were defeased. The principal amount outstanding as of June 30, 2004, of the defeased certificates totals $2,375,000.

North Dakota State University

The North Dakota State University, pursuant to resolutions adopted by the Board of Higher Education on November 7, 1985, issued $4,833,813 of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 1985) on December 30, 1985. The purpose of issuing Series 1985 bonds was to refund in advance of maturity the outstanding advanced refunded bonds, which consisted of all bonds outstanding as of December 30, 1985, totaling $7,675,000. The Series 1985 Bonds do not pay the holder interest but were sold at a discount so that principal payments will yield a return to maturity from 8.20% to 9.70%. All of the refunded bonds are considered "defeased" in accordance with Financial Accounting Standards Board Statement No. 76. As such, neither the assets of the trust nor the related bonds payable are included in the accompanying statement of net assets. The principal amount outstanding as of June 30, 2004, of the original bonds refunded by the advance refunding total $1,045,000.

North Dakota State College of Science

On June 20, 2001, North Dakota State College of Science issued $2,785,000 of Housing and Auxiliary Facilities Improvement and Refunding Revenue Bonds (Series 2001) with an average interest rate of 4.92%. These bonds were used to (1) refund, defease and discharge outstanding North Dakota State School of Science Married Student Housing Revenue Bonds 1970 at 7.0% and 7.25%, Dormitory Revenue Bonds of 1970 at 7.25% and Dormitory Revenue Bonds of 1972 at 6.3%. Funds were deposited in a trust account with an escrow agent to provide for all future debt service payments for the above bonds; (2) finance the cost of the construction of the parking lot and related improvements at the College; and (3) to pay certain costs associated with the issuance of the Series 2001 bonds.

As a result of this issue, trust account assets and liabilities for the defeased bonds are not included in the State's financial statements. The project costs for the parking lot and related improvements were set at $1,000,000. The principal amount outstanding as of June 30, 2004, of the original bonds refunded is $1,335,000.

Component Units

Municipal Bond Bank Bonds

On December 16, 2003, the Bond Bank issued $20,455,000 of revenue bonds (Series 2003 B SRF Bonds) with an average interest rate of 4.71 percent. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded bonds. As of December 31, 2003, $19,740,000 of bonds outstanding is considered defeased and the liability has been removed from the balance sheet. The reacquisition price exceeded the net carrying amount of the old debt by $2,129,000. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 14 years by $1,066,000 and resulted in an economic gain of $842,000.

J. ARBITRAGE REBATE PAYABLE

Arbitrage as it applies to government financing refers to the ability of state governments to obtain funds at a tax-exempt rate of interest and to then invest those funds in investments which earn a higher yield, resulting in a profit to the issuer.

The arbitrage rebate rules require that any earnings from the investment of the tax-exempt bond proceeds which exceed the yield on the bonds be remitted to the federal government.

The State has an arbitrage rebate payable to the federal government of approximately $5,802,248 at June 30, 2004. These amounts are reported in the Government-wide and Proprietary Fund Type financial statements as an intergovernmental payable.

NOTE 4 - RETIREMENT SYSTEMS

A. DESCRIPTION OF PLANS

The State of North Dakota administers four major retirement systems: North Dakota Public Employees' Retirement System, North Dakota Highway Patrolmen's Retirement System, Retirement Plan for the Employees of Job Service North Dakota and the Teachers' Fund for Retirement. The State also administers the North Dakota Defined Contribution Retirement Plan, which was established January 1, 2000. These retirement systems have implemented Governmental Accounting Standards Boards Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and Statement No. 27, Accounting for Pensions by State and Local Governmental Employers. Certain state employees may also participate in a privately administered retirement system: Teachers' Insurance Annuity Association. The following is a brief description of each plan. More detailed information can be found in the plan agreements and the related legislation.

NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

The North Dakota Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan covering substantially all employees of the State of North Dakota, its agencies, and various participating political subdivisions (Main System). It also covers Supreme and district court judges, the National Guard Security Officers and Firefighters, and as of August 1, 2004, peace officers and correctional officers employed by political subdivisions. It is not subject to the provisions of the Employee Retirement Security Act of 1974. PERS issues a publicly available financial report that may be obtained by writing to North Dakota Public Employees Retirement System, 400 East Broadway, Suite 505, Bismarck, North Dakota 58501.

At June 30, 2004, the number of participating local political subdivisions in PERS was:

Cities and Park Districts	68
Counties	44
School Districts	100
Other	57
Total Participating Local Political Subdivisions	269

Death and disability benefits are set by statute. If an active employee dies with less than five years (three years of service for the Main System and National Guard/Law Enforcement) of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of service for the Main System and National Guard/Law Enforcement, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, or 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employees' accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

For judges only, the death benefit is changed to the greater of (i) lump sum payment of accumulated contributions, and (ii) 100% of the member's accrued benefit (not reduced on account of age), payable for the spouse's lifetime.

Eligible employees who become totally disabled after a minimum of 180 days of service receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of $100. To qualify under this section, the employee has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for "disabled" is set by the Board in the North Dakota Administrative Code.

For Judges only, the disability benefit formula is changed to 70% of final average salary minus social security and workers compensation benefits.

Pension benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equals or exceeds 85 or at normal retirement

age (65), equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 120 months of service, for each year of service. The plan permits early retirement at ages 55-64, with three or more years of service for the Main System and National Guard/Law Enforcement, and five or more years of service for the Supreme and district court judges. The monthly pension benefit for Supreme and district court judges at normal retirement age (65) is equal to a percentage of average monthly salary using the highest 36 consecutive months out of the last 120 months of service. The percentage is equal to 3.5% of final average monthly salary multiplied by the first 10 years of service, plus 2.80% of final average monthly salary times the second 10 years of service, plus 1.25% of final average monthly salary times years of service in excess of 20 years. The judicial retirement formula is only applied to eligible judicial service. Non-judicial service benefits are calculated using the 2.00% multiplier. The monthly pension benefit for National Guard/Law Enforcement at normal retirement age (55) is equal to 2.00 percent of their average monthly salary, using the highest 36 months out of the last 120 months of service, for each year of service.

Employees may elect to receive the pension benefits in the form of a single life, joint and survivor, level social security or term-certain annuity. Employees may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the employee's accumulated contributions plus interest.

The System is funded by employee contributions (set by statute) of 4% of regular compensation, with the exception of Supreme and district court judges' contributions, which are established at 5% of total compensation. During the 1983-1985 biennium, the State implemented the employer pickup provision of the IRS code, whereby a portion or all of the required employee contributions are made by the employer. The State is paying the full employee contribution with the exception of the Supreme and district court judges, in which the State is paying 4 of the 5% contribution. Some of the political subdivisions are paying all or part of the employee contributions. Employer contributions of 4.12% of covered compensation are set by statute. The employer contribution rate for the Supreme and district court judges is also set by statute at 14.52%, and the contribution rate for the National Guard/Law Enforcement is set by the Board at 8.33% for the National Guard, 8.31% for Law Enforcement with previous service, and 6.43% for Law Enforcement without previous service. The required contributions are determined using an entry age normal actuarial funding method.

Except for Supreme and district court judges, the employees' account balance includes the vested employer contributions equal to the employee's contributions to an eligible deferred compensation plan.

The minimum member contribution is $25, and the maximum may not exceed certain parameters based upon years of service.

The North Dakota Retirement Board was created by the State Legislature and is the governing authority of PERS. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code.

NORTH DAKOTA HIGHWAY PATROLMEN'S RETIREMENT SYSTEM (NDHPRS)

The North Dakota Highway Patrolmen's Retirement System is a single-employer defined benefit pension plan covering substantially all sworn officers of the Highway Patrol of the State of North Dakota. It is not subject to the provisions of the Employee Retirement Income Security Act of 1974. NDHPRS issues a publicly available financial report that may be obtained by writing to North Dakota Public Employees Retirement System, 400 East Broadway, Suite 505, Bismarck, North Dakota 58501.

Death and disability benefits are set by statute. If an active employee dies with less than 10 years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than 10 years of credited service, the surviving spouse, if any, will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50 percent of the employee's accrued normal retirement benefit, or 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 55 the day before death occurred. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to any designated beneficiary.

Eligible employees who become totally disabled after a minimum of 180 days service receive monthly disability benefits that are up to 70 percent of their final average salary, reduced by workers compensation with a minimum benefit of $100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled and apply for benefits within one year of termination.

Pension benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees are entitled to unreduced pension benefits after a minimum of 10 years of service upon attainment of age 55 or when the sum of age and years of credited service equals or exceeds 80. The annual pension benefit is equal to a percentage of average monthly salary using the highest 36 consecutive months out of the last 120 months of service. The percentage is equal to the sum of

the first 25 years of service multiplied by 3.60% and 1.75% multiplied by years of service in excess of 25, if any. The plan permits early retirement at ages 50-54, with ten or more years of service.

The System is funded by employee contributions of 10.30% (of which the State is paying 4%) of total compensation and an employer contribution of 16.70%. The required contributions are determined using an entry age normal cost method. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDHPRS. Benefit and contribution provisions are administered in accordance with chapter 39-03 of the North Dakota Century Code.

REFUNDS OF MEMBER CONTRIBUTIONS

Upon termination, if an employee is not vested (is not 65 or does not have five years of service [three years of service for the Main System and National Guard/Law Enforcement] credited for PERS, or is not 60 or does not have ten years of service credited for NDHPRS), they will receive the accumulated employee contributions plus interest. If an employee has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If an employee of the PERS terminated and withdrew their accumulated employee contribution and is subsequently re-employed, they have the option of repurchasing their prior service.

RETIREMENT PLAN FOR THE EMPLOYEES OF JOB SERVICE NORTH DAKOTA (JSND)

The retirement plan for employees of Job Service North Dakota is a single-employer defined benefit public employee retirement plan administered by PERS. The plan is established under NDCC 52-11-01 with benefit provisions established through the plan document, as amended. This plan document, as amended, is authorized by the Plan Administrator, who is the Executive Director of the agency.

On August 1, 2003, the administrative authority and the net assets of the Retirement Plan for Employees of Job Service North Dakota were transferred from the agency to the Public Employees Retirement System Board. This action was based on the passage of House Bill 1064 by the Fifty-eighth Legislative Assembly of North Dakota. The Retirement Plan for Employees of Job Service has an Actuarial Valuation Report produced annually. Requests to obtain or review this report should be addressed to the Executive Director, NDPERS, 400 East Broadway, Suite 505, Bismarck, North Dakota 58501.

Participation in the plan is limited to employees participating in the plan as of September 30, 1980. Employees were vested in the program after the completion of five years of credited service.

The plan provides retirement, disability and death benefits. If the death of a participant occurs prior to their annuity starting date, the surviving spouse who has been married at least two years prior to the participant's death or, if married less than two years is a parent of a child of this marriage, then the spouse shall receive monthly benefits. The amount is the greater of the benefit had the participant retired on the day before they died and elected the Contingent Annuitant Option with 55% of their retirement benefit continued to their spouse or 55% of the smaller of 40% of the deceased participant's average monthly earnings or the deceased participant's normal retirement benefit obtained by increasing their credited service by the period of time between their date of death, and the date they would have attained age 60. Upon remarriage of the surviving spouse before age 60, the death benefit will cease.

If a participant becomes totally disabled, they will be eligible for a monthly disability benefit which shall be equal to the greater of 40% of the participant's average annual earnings or the accrued benefit determined as of their date of disability.

Employees are entitled to annual pension benefits beginning at normal retirement age (65). Employees may elect an optional retirement eligibility at age 62 with 5 years of credited service, at age 60 with 20 years of credited service, or at age 55 with 30 years of credited service. Pension benefits are calculated based on the final average earnings (basic monthly earnings averaged over the highest three consecutive years of basic earnings) of the employee multiplied by the sum of:

- 1.5% times years of credited service up to 5 plus;
- 1.75% times years of credited service between 6 and 10 plus;
- 2.0% times years of credited service in excess of 10.

The System is funded by employee contributions of 7% of retirement wages (of which 4% is paid by the employer in lieu of salary increases). The required employer contributions are determined using the frozen initial liability actuarial cost method. Benefit and contribution provisions of the JSND are administered in accordance with chapter 52-11 of the North Dakota Century Code. Effective July 1, 1999, the "scheduled contribution" will be zero as long as the Plan's actuarial value of assets exceeds the actuarial present value of projected benefits.

TEACHERS' FUND FOR RETIREMENT (TFFR)

The North Dakota Teachers' Fund for Retirement is a cost-sharing multiple-employer defined benefit pension plan covering employees for all public and certain college, State and non-public teachers of the State who meet certain requirements of age, period of productive service and employment. TFFR provides for pension, survivor and disability benefits. Teachers' Fund for Retirement issues a publicly available financial report that may be obtained by writing to the Retirement and Investment Office, 1930 Burnt Boat Drive, Bismarck, North Dakota 58503.

At June 30, 2004, the number of participating employer units in TFFR was:

Type	Number
Special Education Units	19
Vocational Education Units	4
Public School Districts	211
County Superintendents	15
Other	17
Total	266

A member is entitled to receive full benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten- or twenty-year term certain annuity, partial lump sum option, or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas and may be eligible for legislative increases in monthly benefits.

Survivor benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

An active member is eligible to receive disability benefits when: (a) a total disability lasting twelve months or more does not allow the continuation of teaching, (b) the member has accumulated one year of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC 15-39.1-10 without consideration of age and assuming the member has a minimum of 20 years of credited service. There is no actuarial reduction for reason of disability retirement.

Assessments and contributions paid to TFFR are set by NDCC 15-39.1-09. Every eligible teacher in the state of North Dakota is required to be a member of TFFR and is assessed at a rate of 7.75% of salary as defined by NDCC 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 7.75% of the teacher's salary.

A vested member who terminates covered employment may elect a refund of assessments paid or defer payment until eligible for pension benefits. A nonvested member who terminates covered employment must claim a refund of assessments paid unless that member submits a valid waiver of this refund to the Board of Trustees of TFFR. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

The following table summarizes membership information by plan at the actuarial valuation date:

	PERS	NDHPRS	JSND	TFFR
Retirees and Beneficiaries Currently Receiving Benefits:	5,634	90	213	5,373
Special Prior Service Retirees:	74	-	-	-
Terminated Employees:				
Vested	986	2	5	1,346
Nonvested	3,133	3	-	175
Total Terminated Employees	4,119	5	5	1,521
Active Employees:				
Vested	13,402	65	60	8,658
Nonvested	4,234	67	-	1,168
Total Active Employees	17,636	132	60	9,826
Date of Annual Valuation	July 1, 2004	July 1, 2004	July 1, 2004	July 1, 2004

The above table includes retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

BASIS OF ACCOUNTING

The public employee retirement systems described above are considered part of the State of North Dakota's reporting entity and are included in the State's financial statements as pension trust funds. The financial statements of these systems are prepared using the accrual basis of accounting. Employee contributions are recognized as revenues in the period in which they are due. Employer contributions are recognized when due and the employer has made a formal commitment to

provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

METHOD USED TO DETERMINE EMPLOYER CONTRIBUTIONS

Employer contributions for the PERS and NDHPRS were determined by an actuarial formula identified as entry age normal cost method. The formula determines the amount of contributions necessary to fund: (a) the current service cost, which represents the estimated amount necessary to pay for benefits earned by employees during the current service year and, (b) the prior service cost, which represents the amount necessary to pay for benefits earned prior to the effective date of the plan.

METHOD USED TO VALUE INVESTMENTS

Investments are recorded at fair value determined by reference to published market data for publicly traded securities and through the use of independent valuation services and appraisals for other investments. The net increase in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment. Unrealized increases or decreases are computed based on changes in the fair value of investments between years. Security transactions are accounted for on a trade date basis. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

During the current year, there were no investments in the stock or bonds of any commercial or industrial organization whose fair value represented five percent or more of the net assets available for benefits. Additionally, there were no securities of the employers or related parties included in the assets of the pension trust funds.

Investments of PERS and NDHPRS are commingled and invested. Earnings on the investments and expenses relating to administering the plans are allocated to each plan based upon their percentage of ownership or number of participants.

On March 14, 1994, the Plan Administrator/Trustee for the Retirement Plan for Employees of Job Service North Dakota entered into an investment management agreement with the North Dakota State Investment Board. This agreement provided for investment management services for pension fund assets.

C. FUNDING STATUS AND PROGRESS

The actuarial methods and assumptions together with the schedule of funding progress is presented by the retirement systems in their separately presented financial reports based upon the actuary reports generated by the studies conducted by the Segal Company and Gabriel, Roeder, Smith and Company. The actuarial value of assets is based on a five-year smoothed fair value basis. Under this method, realized and unrealized gains and losses on investments are smoothed over five years. Below is listed the various actuarial methods and significant assumptions used to determine the annual required contributions, together with the schedule of funding progress.

	PERS NDHPRS	JSND	TFFR
Valuation Date	July 1, 2004	July 1, 2004	July 1, 2004
Actuarial Cost Method	Entry Age Normal	Frozen Entry Age**	Entry Age Normal
Amortization Method	Level Percent Open	Level Dollar Closed	Level Payment Open
Remaining Amortization Period	20 years	15 years	20 years
Asset Valuation Method	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial Assumptions:			
Investment rate of return	8.0%	8.0%	8.0%
Projected salary increase	4.5%*	5.0%	4.0% to 13.0%
Includes inflation at	4.5%	5.0%	3.0%
Post retirement cost-of-living adjustment	None	5.0%	None

* Inflation together with wage increases attributable to seniority, merit and “standard of living” increases.

** As of July 1, 2004, the actuarial value of assets exceeds the present value of projected benefits; therefore, the unfunded actuarial accrued liability is currently zero.

Schedule Of Funding Progress
(Dollars In Millions)

Actuarial Valuation Date	Actuarial Value Of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (Funded Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funded Excess) As A Percentage Of Annual Covered Payroll
PERS						
July 1, 1999	$ 917.0	$ 842.7	$ (74.3)	108.8%	$ 397.7	(18.7)%
July 1, 2000	1,027.0	891.9	(135.1)	115.1%	409.0	(33.0)%
July 1, 2001	1,115.3	1,008.6	(106.7)	110.6%	433.3	(24.6)%
July 1, 2002	1,150.0	1,103.5	(46.5)	104.2%	461.3	(10.1)%
July 1, 2003	1,166.5	1,188.8	22.3	98.1%	479.5	4.7%
July 1, 2004	1,196.5	1,272.9	76.4	94.0%	501.0	15.3%
NDHPRS						
July 1, 1999	$ 32.0	$ 32.2	$ .2	99.4%	$ 4.5	4.4%
July 1, 2000	35.9	34.0	(1.9)	105.6%	4.7	(40.4)%
July 1, 2001	38.8	38.1	(0.7)	101.8%	4.9	(14.3)%
July 1, 2002	39.5	40.5	1.0	97.4%	5.1	19.6%
July 1, 2003	39.6	42.4	2.8	93.4%	5.4	51.9%
July 1, 2004	40.0	44.5	4.5	89.9%	5.4	83.3%
JSND						
July 1, 1999	$ 66.6	N/A*	$ -	N/A	$ 4.0	0.0%
July 1, 2000	71.0	N/A	-	N/A	3.7	0.0%
July 1, 2001	70.8	N/A	-	N/A	3.5	0.0%
July 1, 2002	67.6	N/A	-	N/A	3.2	0.0%
July 1, 2003	66.0	N/A	-	N/A	2.9	0.0%
July 1, 2004	67.5	N/A	-	N/A	2.5	0.0%
TFFR						
July 1, 1999	$ 1,053.1	$ 1,188.4	$ 135.3	88.6%	$ 314.6	43.0%
July 1, 2000	1,308.5	1,287.9	(20.6)	101.6%	323.0	(6.4)%
July 1, 2001	1,414.7	1,467.7	53.0	96.4%	342.2	15.5%
July 1, 2002	1,443.5	1,575.8	132.3	91.6%	348.1	38.0%
July 1, 2003	1,438.4	1,690.3	251.9	85.1%	367.9	68.5%
July 1, 2004	1,445.6	1,800.4	354.8	80.3%	376.5	94.2%

*The Frozen Initial Liability method does not directly identify an Actuarial Accrued Liability.

D. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Employer contribution rates for PERS and NDHPRS are set by state statute using the entry age normal actuarial cost method. This method produces an employer contribution rate consisting of (1) an amount for normal cost, (2) an amount for amortization of the unfunded accrued liability over a period of 20 years for PERS and NDHPRS, and (3) the amount necessary to provide for operating expenses. Contribution rates for the Job Service Retirement Plan are established in the plan document, as amended, actuarially determined using the frozen initial liability actuarial cost method.

The contribution rate is not actuarially determined for TFFR; it is set by statutory law under the North Dakota Century Code 15-39.1-09. It is required that every eligible teacher be a member of the Fund and assessed at a rate of 7.75 percent of gross salary and that every governmental body employing a teacher pay into the plan a sum equal to 7.75 percent of the teacher's salary.

The following schedule presents, by retirement system, annual required contributions and the percentage contributed:

Schedule of Employer Contributions

	Annual Required Contribution	Percentage Contributed
PERS		
2002	$ 16,811,296	100.0%
2003	20,644,235	93.0%
2004	26,704,376	74.0%
TFFR		
2002	$ 27,243,542	100.0%
2003	28,850,725	100.0%
2004	29,635,584	86.7%

For NDHPRS and JSND, sole employer plans, the following schedule represents the annual pension costs and net pension obligations for the year ended June 30, 2004:

	NDHPRS	JSND
Annual required contributions	$ 940,629	$ -
Interest on net pension obligations	(71,944)	(133,787)
Adjustment to annual required contributions	62,763	137,546
Annual pension costs	931,448	3,759
Contributions made	844,241	-
Increase in net pension obligations	87,207	3,759
Net pension obligations, beginning of year	(899,304)	(1,672,335)
(Assets in excess of) net pension obligations, end of year	$ (812,097)	$ (1,668,576)

The following schedule presents the annual pension costs, the percentages contributed, and the net pension obligations:

	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligations
NDHPRS			
2002	$ 591,235	138%	(806,653)
2003	748,658	111%	(899,304)
2004	940,629	90%	(812,097)
JSND			
2002	$ 3,776	0%	(1,676,102)
2003	3,767	0%	(1,672,335)
2004	3,759	0%	(1,668,576)

E. DEFINED CONTRIBUTION PLAN

The North Dakota Defined Contribution Retirement Plan was established on January 1, 2000, and is administered in accordance with chapter 54-52.6 of the North Dakota Century Code. The Defined Contribution Plan covers state employees who are in positions not classified by the central personnel division of the State. Employees of the judicial branch or the Board of Higher Education and state institutions under the jurisdiction of the Board of

Higher Education are not eligible to participate in the Defined Contribution Plan. The Defined Contribution Plan had 295 participants as of June 30, 2004.

Upon the death of a participating employee or former participating employee, the vested account balance of that deceased participant is available to the participant's designated beneficiary(ies). An employee who becomes totally and permanently disabled while employed by the State is eligible to receive a distribution of the vested account balance. To qualify under this section, the employee must meet the criteria established by the System for being totally disabled.

Employees are entitled to their vested account balance. A participating employee is immediately 100% vested in the employee's contributions. A participating employee vests in the employer contributions made on the employee's behalf as follows:

Upon completion of two years of service	50%
Upon completion of three years of service	75%
Upon completion of four years of service	100%

Employees may elect to receive their account balance in a lump sum, lump sum direct rollover, or periodic distribution.

Contributions are set by state statute and are a percentage of salaries and wages. Employee contributions are established at 4%, and employer contributions are established at 4.12% of regular compensation. Employer and employee contributions totaled $498,224 and $483,713 respectively, for the fiscal year ended June 30, 2004.

The Board, or vendors contracted by the Board, have exclusive authority to invest and manage the assets of the Defined Contribution Retirement Plan. State statute allows each participating employee to direct the investment of the individual's employer and employee contributions and earnings to one or more investment options within the available categories of investment as established by the Board. The following investments represent 5% or more of net plan assets at June 30, 2004:

Fidelity Managed Income Portfolio Mutual Fund	21.57%
Fidelity Growth Company Mutual Fund	13.51%
Fidelity Freedom 2020 Mutual Fund	10.63%
Fidelity Equity Income	7.30%
Fidelity Spartan U.S. Equity Index	6.60%
PIMCO Total Return Admin. Mutual Fund	5.00%
Fidelity Diversified International Mutual Fund	7.14%

F. TEACHERS' INSURANCE ANNUITY ASSOCIATION

The Teachers' Insurance and Annuity Association (TIAA-CREF), a privately-administered defined contribution retirement plan, provides individual retirement fund contracts for eligible employees as defined by the Board of Higher Education in its approved TIAA-CREF retirement resolution. All benefits vest immediately to the participant. Further information can be obtained by writing to TIAA-CREF, Denver Regional Office, 1700 Broadway, Suite 770, Denver, Colorado 80290 or by calling 800-842-2009.

Employees are eligible for retirement benefits after attaining the age of 65, which is payable periodically for life. All benefits vest immediately to the participant. The plan requires employee and employer contributions be based on a classification system and years of service based on the schedule shown below.

Employment Class	Years Of Service	By The Participant	By The Institution	Total
I and III	0 thru 10	1.50%	9.50%	11.00%
	over 10	2.00%	10.00%	12.00%
II	0 thru 2	0.50%	4.50%	5.00%
	3 thru 10	1.50%	9.50%	11.00%
	over 10	2.00%	10.00%	12.00%
IV	0	1.00%	9.00%	10.00%

Plan contributions are made on a tax-deferred basis in accordance with section 414(h)(2) of the Internal Revenue Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The State has no further liability once annual contributions are made. The State contributed $17,962,691 to TIAA-CREF during the fiscal year ending June 30, 2004.

NOTE 5 - POST-RETIREMENT BENEFITS

The Retiree Health Insurance Credit Fund is administered by the North Dakota Retirement Board (the Board) to provide members receiving retirement benefits from the Public Employees Retirement System (which includes judges retired under NDCC 27-17), the Highway Patrolmen's Retirement System, the Defined Contribution Retirement Plan, and the Retirement Plan for employees of Job Service North Dakota a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

The employer contribution for the Public Employees Retirement System, the Highway Patrolmen's Retirement System, and the Defined Contribution

Retirement Plan is set by state statute on an actuarially determined basis at one percent of covered compensation. The employer contribution for the Supreme and district court judges is one percent of covered compensation in order to extend this benefit to judges retired under NDCC 27-17. The employer contribution for non-teaching employees of the Office of the Superintendent of Public Instruction is 3.1 percent of covered compensation beginning in the month following the transfer under chapter 54-92-02.13 of the North Dakota Century Code and continuing thereafter for a period of eight years. Job Service North Dakota reimburses the Retiree Health Insurance Credit Fund monthly for credit received by members of the retirement program for employees of Job Service North Dakota. Employees participating in the retirement plan as part-time/temporary members are required to contribute one percent of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund.

Retiree health benefits are set by state statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the Public Employees Retirement System (which includes judges retired under NDCC 27-17), the Highway Patrolmen's Retirement System, the Defined Contribution Retirement Plan, or the Retirement Plan for employees of Job Service North Dakota, are eligible to receive credit toward their monthly health insurance premium under the state health plan. The benefits are equal to $4.50 for each of the employee's years of credited service not to exceed the premium in effect for selected coverage. Total Job Service expenditures for their pay-as-you-go plan was $207,779 for the period ending June 30, 2004. The number of employees from Job Service using the credit was 154 at June 30, 2004. The retiree health benefit is also available for early retirement with reduced benefits.

Death and disability benefits are set by state statute. An employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit, are eligible to receive a credit toward their monthly health insurance premium under the state health plan. The benefits are equal to $4.50 for each of the employee's or deceased employee's years of credited service, not to exceed the premium in effect for selected coverage.

Actuarial valuations of the Fund were done as of June 30, 2004. The actuarial cost method used is the Projected Unit Actuarial Credit Cost Method. The significant actuarial assumptions used to determine funding requirements are (a) a rate of return on the investment of present and future assets of 8.0 percent, (b) inflation at 4.50 percent per annum, (c) pre- and post-mortality life expectancies of participants based upon 1983 Group Annuity Mortality Tables and the PBGC's Disabled Life Mortality Tables, (d) rates of withdrawal from active service before retirement for reasons other than death, rates of disability, and expected retirement ages developed on the basis of actual plan experience, and (e) administrative expenses of $65,000 per year. Plan assets are valued, for actuarial purposes, using a five-year smoothed market method.

The following are the changes in actuarial assumptions, asset method and plan experience and the effect on the employee's contribution rates expressed as a percent of covered payroll, and the dollar effect on the actuarial accrued liability:

	As a Percentage of Covered Payroll	Dollar Effect
Changes in plan experience during the year	(.01)%	$ (51,852)

Employer contributions totaling $4,854,949 were made for the year ended June 30, 2004. The actuarially required employer contribution of $5,139,793 for the year ended June 30, 2004, is 0.99 percent of the covered payroll and reflects the fact that the statutory rate of one percent is sufficient to cover future costs of the Fund. At June 30, 2004, the cost of benefits incurred for the fund was $4,063,395.

Employee membership is as follows:

Retirees receiving benefit	3,607
Active participants	18,017
Total Membership	21,624

According to the Projected Unit Credit Cost Method, the actuarial accrued liability and the unfunded actuarial accrued liability of the Retiree Health Insurance Credit Fund are as follows:

Actuarial accrued liability	$ 74,589,006
Net assets available for benefits, at actuarial value	(28,949,717)
"Unfunded" accrued liability	$ 45,639,287

The fair value of the net assets available for benefits at June 30, 2004, is $30,163,400.

NOTE 6 - DEFERRED COMPENSATION PLAN

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits them to defer a portion of their current salary until future years. Participation in the plan is optional. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

All compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are held in trust for the exclusive use of the employee or their beneficiary.

The related assets of the plan, held in trust, are reported at fair value as follows (expressed in thousands):

Plan Participation By:	
State of North Dakota	$ 11,684
Other Jurisdictions	2,605
Total Value	$ 14,289

NOTE 7 - PERS UNIFORM GROUP INSURANCE PROGRAM

The PERS Uniform Group Insurance Program, an enterprise fund, contracts with Blue Cross Blue Shield of North Dakota (BCBS) to provide health care insurance to the employees of the State of North Dakota, or any of its political subdivisions, institutions, departments or agencies. The contract provides for an accounting of premiums paid and claims incurred during the biennium. In accordance with the term of the contract for the 2001-2003 biennium, the system is to deposit a total of $3 million with BCBS. These surplus funds are to be used to pay any claims in excess of the premiums collected. At the end of the contract period, the system receives the remaining surplus funds plus interest. This amount will be determined as of June 30, 2005. The System has entered into a similar contract with BCBS for the 2003-2005 biennium. The accumulated surplus and other invested funds in the amount of $3,267,756 are shown as cash on the state's financial statements. These funds are being held by BCBS.

Similarly, the PERS Uniform Group Insurance Program contracts with ReliaStar Life Insurance Company to provide life insurance to the employees of the State of North Dakota or any of its political subdivisions, institutions, departments or agencies. The contract provides for an accounting of premiums paid and claims incurred during the biennium, with any surplus shared according to a formula outlined in the contract.

NOTE 8 - SEGMENT INFORMATION

North Dakota Housing Finance Agency maintains three separate funds which account for general agency operations and provide loans to finance construction of rental residential housing and single-family ownership. The three funds are accounted for in a single fund, but investors in the multi-family and home ownership bonds rely solely on the revenue generated by the mortgage loans and assets acquired for repayment. Segment information for the year ended June 30, 2004, was as follows (expressed in thousands):

	Multi-family Bond Funds	Home-Ownership Bond Funds
Condensed Statement of Net Assets		
Current assets – other	$ 2,194	$ 154,914
Noncurrent assets – other	8,372	499,315
Total Assets	10,566	654,229
Current liabilities – other	478	27,206
Noncurrent liabilities – other	9,703	581,951
Total Liabilities	10,181	609,157
Net assets – restricted	385	45,072
Total Net Assets	$ 385	$ 45,072
Condensed Statement of Revenues, Expenses and Change in Fund Net Assets		
Operating revenues	$ 663	$ 36,661
Operating expenses	667	33,797
Operating income (loss)	(4)	2,864
Change in net assets	(4)	2,864
Total net assets, beginning of year	389	39,825
Total net assets, end of year	385	45,072

	Multi-family Bond Funds	Home-Ownership Bond Funds
Condensed Statement of Cash Flows		
Net cash from operating activities	2,390	79,686
Net cash used for noncapital financing activities	(889)	(106,685)
Net cash from investing activities	246	1
Net change in cash and cash equivalents	1,747	(26,998)
Cash and cash equivalents, beginning of year	403	165,030
Cash and cash equivalents, end of year	2,150	138,032

NOTE 9 - MAJOR COMPONENT UNIT TRANSACTIONS

NORTH DAKOTA STATE UNIVERSITY AND NDSU RESEARCH AND TECHNOLOGY PARK, INC.

On December 30, 1999, North Dakota State University, through the State of North Dakota and North Dakota State Board of Higher Education, entered into a ground lease, whereby the NDSU Research and Technology Park, Inc. leases 40 acres of land for $1 per year for the next seventy-five years.

On November 1, 2000, NDSU Research and Technology Park, Inc. (RTP) entered into a $6.5 million lease agreement with the City of Fargo to finance the construction of laboratory and research facilities and all equipment and furnishings located on Lot 1, Block 2, Research and Technology Park First Addition to the City of Fargo (Research Building #1). Article IV, Section 4.12 of that agreement assigned to NDSU all of NDSU Research and Technology Park's obligations under the lease, including but not limited to the payment of all basic rent and additional rent, maintenance of all insurance required under the lease, and restrictions of use of the project set forth in the lease. Under the terms of Exhibit B, Assignment of Lease to the aforementioned lease agreement, ". . . that upon payment of all the Bonds, title to the Facility will revert to the Company." (Company is defined in the lease as NDSU Research and Technology Park, Inc.) Because of the lease assignment, NDSU accounted for this as a capital lease in fiscal year 2002. Beginning in fiscal year 2003, NDSU converted the classification of the debt to bonds payable.

ON August 1, 2002, essentially the same legal and financial structure used to construct Research Building #1 was used to construct a second research building. The new lease agreement was for $20,450,000. NDSU is reporting the related assets and debt in its fiscal year 2004 financial statements.

The audited financial statements for fiscal years 2003 and 2004 of the RTP report these transactions as an operating lease and report the related capital assets and related debt as assets and debt of RTP. Since the RTP is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for Research Buildings 1 and 2, fiscal year 2004 beginning balances are restated and an elimination entry is made to ending balances in the component unit's consolidating financial statements to avoid duplication.

NDSU and RTP have entered into an operating agreement, whereby NDSU leases Research Building #1 for an annual rent of $628,943 and Research Building #2 for $165,370 (through June 2005, then annual rent of $1,525,963 through July 2013) plus utilities and insurance. Total payments under these agreements in fiscal year 2004 were approximately $1,047,405. These agreements are subject to funding and legislative appropriations. A receivable from NDSU for $282,432 is recorded at June 30, 2004, for amounts due under these agreements.

NORTH DAKOTA STATE UNIVERSITY AND NDSU DEVELOPMENT FOUNDATION

NDSU Equine Science Center

Effective January 1, 2003, NDSU and the NDSU Development Foundation entered into a ten-year lease agreement with an option for an additional ten-year term to facilitate the building of an Equine Science Center. Under the agreement, NDSU will pay rent to NDSU Development Foundation for use of the premises. The amount of the rent is tied to the debt service retirement plus necessary insurance and taxes incurred by the Development Foundation. NDSU paid the Development Foundation $178,576 in fiscal year 2004 and has a payable of $11,678 at June 30, 2004, under this agreement.

As of June 30, 2004, construction of the facility was complete, and the facility is included in capital assets and the debt is included in long-term liabilities on the financial reports of the NDSU Development Foundation. NDSU has also recorded a capital asset and a capital lease payable of $4,355,000 as of June 30, 2004. Since the Development Foundation is a discretely presented component unit of the North Dakota University System, and the component unit and the University System are reporting the same assets and debt for the Equine Center, an elimination entry is made to ending balances in the component unit's consolidating financial statements to avoid duplication.

UNIVERSITY OF NORTH DAKOTA AND UND AEROSPACE FOUNDATION

The Foundation reimbursed UND for salaries, building rent, aircraft rental, and goods and services under an operating agreement aggregating approximately $2,225,579 in fiscal year 2004. This operating agreement has no specific term and is intended to memorialize various operating agreements, rate structures, duties, and obligations each party has to the other. The Foundation also reimbursed UND for air service and hangar, CRJ, 360-degree tower, and aircraft rental of $941,356. These expense reimbursements represent actual costs incurred.

UNIVERSITY OF NORTH DAKOTA AND RE ARENA, INC.

RE Arena, Inc. manages, operates, and maintains an arena known as the Ralph Engelstad Arena, which was constructed in 2001 for the benefit of UND athletics. On July 1, 2003, UND and RE Arena, Inc., entered into a usage agreement with regards to the arena that sets forth facility usage, fees and services, and net income disposition. This agreement expired on June 30, 2004, but a similar agreement was signed effective July 1, 2004. In accordance with this agreement, UND will control all ticket revenue from UND athletic events held in the arena, UND and RE Arena, Inc. will jointly utilized UND marketing staff, and UND agrees to pay RE Arena, Inc. a stated amount of the ticket revenue from hockey, football, and men's and women's basketball events. Revenue and expenses from all other UND events held at the arena will be negotiated on an event-by-event basis. Per this agreement, UND paid approximately $1.37 million to RE Arena, Inc. in fiscal year 2004 for event ticket revenue. Also per the agreement, RE Arena, Inc. will annually fund a reserve for extraordinary repairs, maintenance, and building improvements in an amount up to $350,000. And, on an annual basis, RE Arena, Inc. will remit to UND the net income after adding back depreciation, amortization, the funded reserve and capital expenditures for the fiscal year.

In addition, RE Arena, Inc. may contract with UND for materials and personnel in the service and utility areas and will reimburse UND based on separate agreements. As of June 30, 2004, RE Arena, Inc. has a payable to UND of $260,078 for these expenditures.

UNIVERSITY OF NORTH DAKOTA AND UNIVERSITY OF NORTH DAKOTA FOUNDATION

The University of North Dakota Foundation issued through Wells Fargo Brokerage Services, LLC, tax-exempt lease revenue bonds on October 24, 2003, of $4,400,000 to finance the land purchase and construction of the Minot Family Practice Center. The center is a component of the School of Medicine & Health Sciences at UND. Interest only is due on a semi-annual basis at a variable rate of interest with a maturity date of December 15, 2018. The initial interest rate was 1.95 percent. Effective June 15, 2004, the interest rate was reset at 2.02 percent. The Foundation may pay down principal in increments of $100,000 on interest payment dates without penalty. A total of $100,000 in principal was retired in fiscal year 2004.

On July 1, 2002, UND Foundation issued lease revenue bonds of $8,595,000 on behalf of UND to 1) finance the construction of an office building for EERC, 2) renovate the current EERC building, 3) finance capitalized interest, and 4) pay cost of issuance of the bonds. UND and UND Foundation also entered into a lease agreement on July 1, 2002, whereby the foundation leases certain property to UND and UND will pay the Foundation basic rents which will be sufficient to cover principal and interest on the lease revenue bonds when due. The bonds bear an interest rate of 2 to 5.13 percent and mature in 2027. The lease revenue bond has a balance of $8,370,000 at June 30, 2004. The Foundation's financial statements include this transaction as a receivable from UND and a long-term liability. UND's financial statements include the capitalized asset and a long-term liability due to UND Foundation.

UND leases office space to the UND Foundation at a cost of $1 per year and provides some administrative services, computer services, utilities and maintenance at no cost as a partial in-kind reimbursement for services rendered by the Foundation. Lease on the office, dated November 1, 1979, has a term of five years remaining. At June 30, 2004, due to timing of receipts and payments, the UND Foundation recorded a payable of $536,698 to UND, which was paid in full in July.

NOTE 10 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

BANK OF NORTH DAKOTA

The State, through the Bank of North Dakota, is a party to financial instruments with off-balance-sheet risk in the normal course of business. These financial instruments include commitments to extend credit and financial standby letters of credit. Those instruments involve varying degrees of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract amounts of those instruments reflect the extent of involvement the State has in particular classes of off-balance-sheet financial instruments.

The State's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and financial standby letters of credit is represented by the contractual amount of those instruments. The State uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

	Contract Amount (in thousands)
Commitments to extend credit	$ 237,582
Financial standby letters of credit	124,636
	$ 362,218

Commitments to extend credit are agreements to lend as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The State evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained by the State upon extension of credit is based on management's credit evaluation of the customer. Collateral held may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Financial standby letters of credit are conditional commitments issued by the State to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The likelihood of funding any of these letters of credit is considered to be remote.

NORTH DAKOTA HOUSING FINANCE AGENCY

In the normal course of business, the Agency makes various commitments that are not reflected in the financial statements. These include commitments to extend credit and the debt reduction required when related loan acquisition funds are not drawn down within prescribed time frames set by the specific bond resolution.

Commitments to extend credit are agreements to fund loans as long as there is no violation of any condition established in the contracts. Commitments require the payment of a reservation fee and generally have a fixed expiration date. Commitments to extend credit total $28,864,000 at June 30, 2004. The Agency does not anticipate any material losses as a result of these commitments.

The bond resolutions require that the funds in the loan acquisition accounts be expended within 42 months of the related bond delivery date. Any remaining funds must be used for debt reduction. The loan acquisition funds totaled $32,866,000 at June 30, 2004.

MUNICIPAL BOND BANK

In the normal course of business, the Bond Bank (a component unit) makes various commitments that are not reflected in the financial statements. These commitments include commitments to extend credit of $26,721,000 at December 31, 2003.

COMMUNITY WATER FACILITY LOAN FUND

The Fund is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Commitments to extend credit totaled $661,700 as of December 31, 2003.

NOTE 11 - INTEREST RATE SWAP

NORTH DAKOTA HOUSING FINANCE AGENCY

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the Agency entered into several interest rate swaps in connection with various variable-rate housing bond series. The intention of these swaps was to effectively change the Agency's interest rate on the bonds to a fixed rate.

The bonds and the related swap agreements have a stated maturity date, and the swap's notional amounts match the amount of variable-rate bonds. Under the swaps, the Agency pays the counterparty a fixed payment and receives a variable payment computed as a percent of the London Interbank Offered Rate (LIBOR) plus a fixed percentage. On the other hand, the bond's variable-rate coupons are determined by the remarketing agent. If, for any reason, the remarketing agent fails to act, the rate shall be the lesser of (i) the TBMA (Bond Market Association) Index plus 0.25% or (ii) the Maximum rate as defined within the applicable series resolution. The Agency did not disburse any funds to enter into these swap agreements.

As of June 30, 2004, the Agency is exposed to credit risk on the swaps that have a positive fair value, which total $468,309. Of the swaps with negative fair value, the Agency is not exposed to credit risk. However, the swap exposes the Agency to basis risk should the relationship between LIBOR and TBMA converge, changing the synthetic rate on the bonds. The swap counterparty has guaranteed all payments and is rated AA+/AA-/AA by Moody's Investor Services, Standard & Poor's, and Fitch, respectively. To mitigate potential credit risk, the counterparty has entered into a Credit Support Agreement with Citigroup Global Marketing as a credit enhancement.

Due to the difference among the variable rate indices, the swaps had a net negative fair value of $1,109,537 as of June 30, 2004. The swap's negative fair value may be

countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic fixed interest rate. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. All valuations are as of the valuation date indicated. Mid-Market or indicative unwind valuations may be derived from broker quotations or from proprietary models that take into consideration estimates about relevant present and future market conditions as well as the size and liquidity of the position and any related actual or potential hedging transactions. Valuations based on other models or different assumptions may yield different results.

As noted above, the swap exposes the Agency to basis risk should the relationship between LIBOR and the actual variable rates converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate and the synthetic rate as of June 30, 2004. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized.

The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if counterparty's credit quality rating falls below "A3" as issued by Moody's Investors Service or "A-" as issued by Fitch Ratings or Standard & Poor's. The swap may be terminated at any time by the Agency or the counterparty with 30 days' written notice up to limits specified in the swap agreement. If the swap or swaps were terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Agency would be liable to the counterparty for payment equal to the swap's fair value, but in the event the fair value is positive, the counterparty would be liable to the Agency.

1.	Bond Series	2002 B	2002 B	2003 A	2003 A
2.	Issuance Date	8/28/02	8/28/02	5/14/03	5/14/03
3	Maturity Date	1/1/34	7/1/11	7/1/34	1/1/12
4.	Notional Amount	$ 17,595,000	$ 6,120,000	$ 14,120,000	$ 8,355,000
5.	Variable-rate Bonds	$ 17,595,000	$ 6,120,000	$ 14,120,000	$ 8,355,000
6.	Fixed Rate	4.470%	2.940%	4.035%	2.463%
7.	LIBOR Percentage	68.70%	70.60%	62.50%	62.50%
8.	Additional Percentage	0.00%	0.00%	0.44%	0.44%
9.	Bonds Variable-rate	1.10000%	1.10000%	1.11000%	1.11000%
10.	Fair Value	$ (645,453)	$ (91,308)	$ 103,749	$ 111,455
11.	Percentage of LIBOR	0.94033%	0.96634%	1.29547%	1.29547%
12.	Synthetic Rate	4.62967%	3.07366%	3.84953%	2.27538%
13.	Actual Synthetic Rate	4.70040%	3.15130%	3.89757%	2.32603%

1.	Bond Series	2003 B	2003 B	2004 B	2004 B
2.	Issuance Date	8/27/03	8/27/03	4/1/04	4/1/04
3	Maturity Date	1/1/12	7/1/34	1/1/13	7/1/35
4.	Notional Amount	$ 8,190,000	$14,205,000	$ 11,735,000	$12,990,000
5.	Variable-rate Bonds	$ 8,190,000	$14,205,000	$ 11,735,000	$12,990,000
6.	Fixed Rate	3.155%	4.530%	2.620%	3.980%
7.	LIBOR Percentage	64.00%	64.00%	63.00%	63.00%
8.	Additional Percentage	0.365%	0.365%	0.34%	0.34%
9.	Bonds Variable-rate	1.11000%	1.11000%	1.11000%	1.11000%
10.	Fair Value	$ (124,603)	$ (716,482)	$ 180,483	$ 72,622
11.	Percentage of LIBOR	1.24100%	1.24100%	1.20231%	1.20231%
12.	Synthetic Rate	3.02400%	4.39900%	2.52769%	3.88769%
13.	Actual Synthetic Rate	3.11563%	4.49063%	2.66663%	4.02663%

Using rates as of June 30, 2004, debt service requirements of the variable-rate debt and new swap payments are as follows. Interest calculations were based on rates as of June 30, 2004. As rates vary, variable-rate bond interest payments and net swap payments will vary. (Expressed in thousands.)

Fiscal Year Ending June 30	Variable-Rate Bond		Interest Rate Swap, Net	Total
	Principal	Interest		
2005	$ 1,750	$ 1,023	$ 2,362	$ 5,135
2006	3,395	992	2,316	6,703
2007	4,995	940	2,242	8,177
2008	5,410	880	2,157	8,447
2009	5,165	822	2,074	8,061
2010-2014	14,080	3,458	9,449	26,987
2015-2019	-	3,261	9,180	12,441
2020-2024	1,335	3,252	9,154	13,741
2025-2029	22,955	2,536	7,124	32,615
2030-2034	29,040	1,058	2,956	33,054
2035-2039	5,580	15	39	5,634
	$ 93,705	$ 18,237	$ 49,053	$ 160,995

NOTE 12 – SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

Most of the State's business is with customers within the state. Concentrations of credit are present in the construction and operation of community water facilities, developmentally disabled facilities, loans to students for post-secondary education, single-family and multifamily mortgage loans, and the agricultural industry. Due to the pervasive nature of agriculture in the economy of the state, all loans, regardless of type, are impacted by agriculture.

NOTE 13 – RISK MANAGEMENT

Several funds accumulate assets to cover risks that the State may incur. Specifically, the State assumes a portion or substantially all risks associated with the following:

THE STATE FIRE AND TORNADO FUND

The State Fire and Tornado Fund, an Enterprise Fund, is financed by premiums charged to the participating funds of the State. All monies collected must be paid into the fund for use only for the purpose outlined in NDCC 26.1-22.02.

All losses occasioned by the hazards provided for in the North Dakota Century Code must be paid out of the fund, with the fund being reimbursed by a third-party insurance carrier for all losses in excess of $1,000,000 per occurrence. The limit of liability of such reinsurance contract is no less than $1,000,000 during each twelve month period.

STATE BONDING FUND

The State Bonding Fund, an Enterprise Fund, is financed by premiums charged to each State agency for the bonding of public employees and public officials.

FLEET SERVICES

Fleet Services, an Internal Service Fund, represents the State's fleet of automobiles and is administered by the Department of Transportation. The State is self-insured for substantially all automobile insurance (e.g., comprehensive, collision), with the exception of liability, which is provided by the State's Risk Management Fund (RMF). State agencies are charged premiums to cover Fleet Service's RMF assessment and to pay for those losses which are not covered by RMF. These premium charges are factored into the fees agencies are charged when renting the cars.

WORKFORCE SAFETY & INSURANCE

Workforce Safety & Insurance (WSI), an Enterprise Fund, is a State insurance fund and a "no fault" insurance system, covering the State's employers and employees. WSI is financed by premiums assessed to employers. The rate of such premiums is periodically adjusted to assure the solvency of WSI. The premiums are available primarily for the payment of claims to employees injured in the course of employment. During fiscal year 2003, a total of $105,131,905 in claims was recognized. Incurred but not reported claims of $604,100,000 have been accrued as a liability based primarily upon actuarial estimates.

RISK MANAGEMENT FUND

Due to the loss of sovereign immunity, the 1995 Legislature established the Risk Management Fund

(RMF) to pay money damages for tort claims for which the State is liable. The statutory liability of the State is limited to a total of $250,000 per person and $1,000,000 per occurrence. The State purchases commercial insurance for claims in excess of coverage provided by the Fund and continues to transfer liabilities for medical malpractice and aviation to private insurance carriers. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

Revenues to the RMF are generated from contributions required from state agencies, boards and commissions, and the University System. The need for and amount of funding is determined using a projected cost allocation approach. The premise of this plan is that the agencies with greater expected loss costs should contribute more to the funding of the RMF than those agencies with lessor costs. The underlying logic is that contributions should roughly equal loss costs plus the expenses of administering the program over the long term.

The RMF liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Unpaid claim liabilities are based on an actuarial study of the outstanding loss reserve need for the fund and a forecast of ultimate loss and loss expense. These liabilities were determined on an undiscounted expected level of ultimate loss. Because actual claims liabilities are affected by complex factors including inflation, changes in legal doctrines, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities will be re-evaluated periodically to take in consideration settled claims, the frequency of claims, and other economic and social factors.

The following table presents the changes in claims liabilities balance for the fiscal years ending June 30, 2003, and June 30, 2004:

Fiscal Year	Beginning Balance	Current Year Claims and Changes In Estimates	Claims Payments	Ending Balance
2003	$ 2,537,631	$ 1,210,045	$ 765,415	$ 2,982,261
2004	2,982,261	547,972	769,932	2,760,301

The Risk Management Workers Compensation Program (WCP) was established to consolidate all state entities under one workers compensation account, allowing for transitional duty between entities. The statutory liability of the fund is limited to $100,000 per claim with Workforce Safety & Insurance, providing excess insurance for claims which exceed the $100,000 cap. WCP pays separately for this coverage. Since the inception of WCP on July 1, 2001, five claims exceeded coverage by $315,854.

Revenues to WCP are generated from contributions required from state agencies, boards, commissions, and the University System. The amount contributed from each agency is actuarially determined by Workforce Safety & Insurance and based upon the number of employees, the type of work done, and claims history of each entity. Each entity also pays a deductible of $250 per claim.

The WCP liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by complex factors including inflation, changes in legal doctrine, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities will be re-evaluated periodically to take into consideration settled claims, the frequency of claims, and other economic and social factors. An actual study was performed for Workforce Safety & Insurance. The liability estimates are based on that study.

The following table presents the changes in claims liabilities balance for the fiscal year ending June 30, 2004:

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2003	$ 491,170	$ 1,864,658	$ 1,009,070	$ 1,346,758
2004	1,346,758	2,368,743	1,416,845	2,298,656

NOTE 14 – PUBLIC ENTITY RISK POOLS

A. GENERAL

FIRE AND TORNADO AND BONDING FUND

The Fire and Tornado Fund provides property insurance to state agencies, political subdivisions, the International Peace Garden and the winter show. The Fire and Tornado Fund has issued 1,087 policies to participating entities for a total building and content coverage of $5.7 billion. The Bonding Fund is used to provide fidelity bonding of public employees and officials. The Fund has issued 2,922 policies to participating entities. The total coverage for the Bonding Fund is $580.7 million. If the assets of these funds were exhausted, fund participants would not be responsible for the funds' liabilities.

The Fire and Tornado and Bonding Fund are accounted for on the accrual basis. The Fire and Tornado Fund establishes claim liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims incurred but not reported. The Bonding Fund establishes claim liabilities based on actual judgments obtained against the fund but not paid prior to fiscal year end. Liabilities for incurred but not reported losses have not been established as they are not expected to be material amounts. Neither fund incurred any acquisition costs which should have been capitalized, nor were any liabilities recognized that were discounted. Investment income was not considered in determining the existence of premium deficiencies.

The Fire and Tornado Fund uses reinsurance agreements to reduce its exposure to large losses on all types of its insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks that are reinsured. The Fire and Tornado Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

WORKFORCE SAFETY & INSURANCE

Workforce Safety & Insurance (WSI), an Enterprise Fund, is a state insurance fund and a "no fault" insurance system covering the State's employers and employees. At June 30, 2004, coverage extended to the following employers:

Annual Premium	
$125 - $5,000	16,366
$5,001 - $50,000	2,507
$50,001 - $100,000	211
Over $100,000	156
Total Employers	19,240

WSI is financed by premiums assessed to the employers of North Dakota. The premiums are available primarily for the payment of claims to employees injured in the course of employment.

The operations of WSI are accounted for on the accrual basis. Liability for incurred but not reported and incomplete claims and claims expense is estimated by WSI's actuary. The estimate is developed by WSI's actuary, taking into consideration past experience of WSI in paying claims, and general conditions of the environment in which WSI operates. The liability includes estimates of costs to settle individual claims which have been reported, plus a provision for losses incurred but not yet reported and includes the effects of inflation and other societal and economic factors. WSI records the liability at a discounted amount.

As adjustments to this estimated liability become necessary, such adjustments are reflected in current operations. Management believes the estimated liability for losses and loss adjustment expense is sufficient to cover the ultimate net cost of incurred claims, but such reserves are necessarily based on estimates and the ultimate liability may be greater or less than the amounts estimated.

For the year ended June 30, 2004, the actuary presented an estimate in the form of a range to emphasize the uncertainty for the estimated liability of WSI. These ranges are as follows (expressed in thousands):

	Low	Expected Value	High
Full Value Basis (undiscounted)	$ 990,000	$ 1,098,000	$ 1,265,000
Discounted at 6% rate	*	604,100	695,000

*Not computed by actuary.

WSI has adjusted the estimated liability for unpaid loss and loss adjustment expense to the actuary's six percent discounted expected value of $604.1 million at June 30, 2004.

The June 30, 2003, liability of $577.5 million was also recorded at the discounted rate of six percent.

While management has recorded amounts that fall within the ranges of estimated liabilities as computed under actuarial assumptions, the high level of uncertainty indicates that actual losses and expenses could be materially higher than the recorded estimated liability.

WSI did not incur any acquisition costs which should have been capitalized at June 30, 2004.

B. RECONCILIATION OF CLAIMS LIABILITIES

The following is a reconciliation of total claims liabilities, including an analysis of changes in aggregate liabilities for claims and claim adjustment expenses for the current fiscal year and the prior year (expressed in thousands):

	Fire And Tornado		Bonding		Workforce Safety & Ins	
	2004	2003	2004	2003	2004	2003
Unpaid claims and claims adjustment expenses at the beginning of the year	$ 1,451	$ 7,069	$ 366	$ 126	$ 577,500	$ 500,800
Incurred claims and claims adjustment expenses:						
Provision for current fiscal year	135	(2,523)	254	259	102,850	92,605
Change in provision for prior fiscal year	-	-	-	-	31,645	133,442
Payments and claims and adjustment expenses attributable to:						
Current fiscal year insured events	227	3,974	85	107	(20,379)	(18,586)
Prior fiscal years' insured events	(1,451)	(7,069)	(366)	(126)	(65,216)	(60,761)
Total Payments	(1,224)	(3,095)	(281)	(19)	(85,595)	(79,347)
Change in provision for discount	-	-	-	-	(22,300)	(70,000)
Total unpaid claims and claims adjustment expenses at the end of the year	$ 362	$ 1,451	$ 339	$ 366	$ 604,100	$ 577,500

NOTE 15 – SCHOOL PERMANENT TRUST FUND

State law permits the permanent fund to use one-tenth of the realized gains and losses in the current and previous years to be included in its calculation of income available for distribution in the current year. When determining the amount of distribution from any of the permanent educational trusts, the board of the permanent fund must consider both preservation of trust corpus and its ability to produce income for future years and the demands for distribution of current income. Any realized gains and losses that are spent must be spent for the purposes for which the trust was established.

Any income in excess of the amount of distribution for the current year can be acted on in one of three ways by the board of the permanent fund:

1. Distribute to the fund beneficiary all or a portion of the income in excess of the previous fiscal year's distribution;
2. Retain for distribution in future years all of a portion of the income in excess of the preceding fiscal year's distribution in an amount not to exceed $10 million; or
3. Add to the permanent fund all or a portion of the income in excess of the preceding fiscal year's distribution.

At June 30, 2004, realized gains and losses available for distribution in the current year totaled $8,971,463 for the permanent educational trusts. This amount is included in Reserved Fund Balances—Undistributed Revenue in the governmental funds balance sheet.

NOTE 16 – BANK OF NORTH DAKOTA

GASB Statement No. 34 requires assets and liabilities of enterprise funds be presented in a classified format to distinguish between current and long-term assets and liabilities. The Bank of North Dakota is the only government-owned bank in the United States. Banks do not present a classified balance sheet because current assets are not matched with current liabilities. Presentation of a classified balance sheet would give the false impression that there is a liquidity problem at the bank. Presentation of a classified balance sheet for the Bank of North Dakota would be misleading to the extent that the financial statements may be materially misstated. Therefore, the balance sheet of the Bank of North Dakota presents assets and liabilities in order of their relative liquidity, rather than in a classified format.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

A. LONG-TERM COMMITMENTS

BANK OF NORTH DAKOTA

The 2003 North Dakota Legislature passed Senate Bill 2022, which included the statewide water development goals. In connection with these goals, the bill provides that a line of credit-contingent appropriation be made. If determined necessary by the State Water Commission, the Bank of North Dakota shall extend a line of credit, not to exceed $25,000,000 or so much of the sum as may be necessary, to the State Water Commission for

the purpose of interim financing until bonds are issued under NDCC chapters 61-02 and 61-02.1 for the biennium beginning July 1, 2003, and ending June 30, 2005. As of December 31, 2003, Bank of North Dakota has not funded and has not committed to fund any amount under the line of credit.

The 2003 North Dakota Legislature passed House Bill 1321, which provides that the Bank of North Dakota may guarantee the loan of money by banks, credit unions, lending institutions that are part of the farm credit system, and savings and loan associations in this state to eligible persons for the purchase of agricultural real estate or the restructuring of agricultural real estate loans, provided the transactions do not exceed a loan-to-value ratio of 80%, and further provided that no single loan exceeds $400,000. The Bank of North Dakota may have no more than $5,000,000 in outstanding loan guarantees under this program. The Bank of North Dakota may guarantee up to 75% of the amount of principal due the lender. The guarantee term may not exceed five years. As of December 31, 2003, the Bank of North Dakota has not guaranteed or committed to guarantee any loans under this program.

The 2001 North Dakota Legislature passed Senate Bill 2349, which amended the Beginning Entrepreneur Loan Guarantee Program. The program provides that the Bank of North Dakota enters into an agreement with a lender that in the event of default by a beginning entrepreneur under a note and mortgage or other loan or financing agreement, the Bank of North Dakota shall pay the lender the amount agreed upon, which is 85 percent of the amount of principal due the lender on a loan at the time the claim is approved. A lender may apply to the Bank of North Dakota for a loan guarantee for a loan of up to $100,000. The term of the loan guarantee may not exceed five years. The Bank may provide guarantees totaling $3,400,000. As of December 31, 2003, the Bank has provided guarantees totaling $1,346,000 and has guarantee commitments of $32,000 included in commitments to extend credit.

STUDENT LOAN TRUST

The 2003 North Dakota Legislature also passed Senate Bill 2335, which permits the Bank of North Dakota to request from the Commission a transfer from the Trust to reimburse the Bank of North Dakota for any losses incurred from investments in North Dakota alternative and venture capital investments and early-stage capital funds up to $5,000,000. As of June 30, 2004, approximately $75,000 has been funded.

PACE FUNDS

The 2003 North Dakota Legislature passed House Bill 1021, Section 9, which provides that the Bank of North Dakota shall transfer $800,000 from the Agricultural PACE Fund to the main NDSU research center. The transfer may not be made until $1,000,000 of federal funds and $1,000,000 of special funds from private contributions have been collected for the establishment of a beef systems center of excellence.

RETIREMENT AND INVESTMENT OFFICE (RIO)

The North Dakota Retirement and Investment Office has entered into two contracts to implement a new pension administration software system for the North Dakota Teachers' Fund for Retirement. The contracts commenced March 1, 2004, and terminate June 30, 2005, and September 30, 2005. The approximate costs under these contracts for implementation of the new software is $1,707,875. RIO has budgeted $2.0 million for the implementation of this system. Other costs of the system not under contract include support from the Information Technology Department and other miscellaneous costs totaling $292,125. Fees paid under these contracts total $480,864 as of June 30, 2004.

INDUSTRIAL COMMISSION

In September of 2001, the Industrial Commission, as part of the Lignite Research, Marketing and Development Program—Vision 21, entered into a contract with Montana-Dakota Utilities/Westmoreland Power, Inc. (MDU) for a total of $10,000,000. The contract authorizes payments over a period of years based on completion of the required research and the construction of a new lignite-fired power plant in North Dakota. Payments made on the contract total $1,125,000. The contract contains a provision for payback to the Industrial Commission of $4.5 million over twenty years if new power plants are built and become operational. Total commitments under the contract would be reduced by $7,650,000 if the power plant is not constructed. In addition, the Commission entered into a contract on November 1, 2001, with Great Northern Power Development L.P. totaling $673,250. Payments totaling $464,226 have been made. On June 18, 2003, the Commission approved the issuance of a Phase II feasibility matching contract in the amount of $687,500. The Phase II contract is currently being negotiated.

The Commission also has various significant commitments at June 30, 2004, for the purchase of various types of services and other goods totaling $3,801,778.

MILL AND ELEVATOR

The Mill has entered into futures contracts for spring wheat to lock in a price for a future delivery or settlement period. These contracts are entered into to protect the Mill against price fluctuations of the commodity and are not reflected on the face of the financial statements. The price protection is needed to cover any long or short positions compared to flour sales. All trades are completed using two different national brokerage firms on the Minneapolis Grain Exchange. The following table shows the Mill's futures positions at June 30, 2004. One contract equals 5,000 bushels.

Futures Positions:

Month	Contracts Long	Contracts Short	Avg. Price	Fair Value
September	9	-	$ 3.883	$ 3.885
December	-	202	4.158	3.970

As of June 30, 2004, the Mill had commitments to purchase 1,671,247 bushels of spring wheat and 121,387 bushels of durum.

STATE COURTS

As of June 30, 2004, the state courts had significant commitments of $1,995,708. The majority of the amount consists of indigent defense contracts with law firms around the state to provide legal services for eligible indigent persons at all stages of proceedings as specified in the contracts.

JOB SERVICE NORTH DAKOTA

As of June 30, 2004, Job Service has commitments to pay $558,336 for purchase orders and contracts awarded for goods and services to be provided in future periods.

BUILDING AUTHORITY

The Authority has committed funds to complete various construction and modernization programs at June 30, 2004, totaling $14,428,000.

The Legislature authorized the Authority to issue bonds for the State Historical Society to renovate historic site interpretive centers if they decide to proceed with the project prior to June 30, 2005. The amount authorized for financing this project is $2,000,000.

MUNICIPAL BOND BANK

On April 1, 1997, a Standby Bond Purchase Agreement was executed with the Central Dakota Irrigation District, a political subdivision. Should the District experience financial difficulties, the Bond Bank will purchase Central Dakota Irrigation District's Refunding Improvement Bonds (warrants) in an aggregate principal amount not less than the outstanding principal amount of the warrants plus accrued interest on the warrants. The original amount of the warrants issued April 1, 1997, was $3,270,000.

INFORMATION TECHNOLOGY DEPARTMENT

ITD has entered into a contract with Maximus to facilitate the implementation of PeopleSoft software for the ConnectND project. Remaining estimated payments for the 2003-2005 biennium are $3,905,250.

DEPARTMENT OF HUMAN SERVICES

As of June 30, 2004, the Department of Human Services had significant commitments for the purchase of various types of services totaling $27,105,631.

PUBLIC SERVICE COMMISSION

As of June 30, 2004, the Public Service Commission had significant commitments of $1,042,643. This amount consists primarily of contractor charges associated with the Abandoned Mine Lands.

AERONAUTICS COMMISSION

As of June 30, 2004, the Aeronautics Commission had significant commitments of $1,152,000. This amount consists of grants to political subdivisions for maintenance and improvements of their airports.

DAIRY PRODUCTS PROMOTION COMMISSION

As of June 30, 2004, the Dairy Products Commission had significant commitments of $225,000. This amount consists of a contract with Midwest Dairy Association to implement and administer programs intended to contribute to the betterment of North Dakota dairy farmers and the State's dairy industry. The contract also provides the Commission with administrative, financial, and reporting services.

NORTH DAKOTA SOYBEAN COUNCIL

As of June 30, 2004, the North Dakota Soybean Council had significant commitments of $659,160. This amount mainly consists of grants for the research and development of soybeans.

STATE WATER COMMISSION

As of June 30, 2004, the State Water Commission had long-term commitments of $68,647,572 for various water projects.

NORTH DAKOTA DEPARTMENT OF TRANSPORTATION

At June 30, 2004, the North Dakota Department of Transportation (Special Revenue Fund) had non-construction contract commitments of approximately $10.6 million of which $8.1 million represents federal programs which are cost reimbursable.

Construction commitments at June 30, 2004, totaled approximately $173.6 million, of which $146.0 million

represents federal programs which are cost reimbursable. These commitments will be funded with future appropriations as work is performed.

UNIVERSITY SYSTEMS

Contracts for the construction of various projects on behalf of the University System have been let as follows (expressed in thousands):

	Original Issue	Paid To Date	Amount To Be Paid
BSC	$ 148	$ 57	$ 91
DSU	4,790	1,373	3,417
MaSU	3,531	3,010	521
MiSU	88	-	88
MiSU-B	111	53	58
NDSCS	421	95	326
NDSU	9,249	719	8,530
UND	18,636	14,702	3,934
VCSU	2,612	1,973	639
WSC	5,625	5,564	61

NORTH DAKOTA DEVELOPMENT FUND

The board of directors has approved equity investments, loans, grants, and guaranty of collections at June 30, 2004, for which funds have not been disbursed or written agreements entered into in the amount of $4,619,000.

OTHER CONSTRUCTION COMMITMENTS

Health Department	$ 1,085
Human Services	937
Corrections	455
Adjutant General	2,984
Game and Fish	40
Transportation	22,654

B. LITIGATION

The estimated loss in all of the litigation against the State in which a loss to the State is probable is estimated at zero. Litigation that is reasonably possible to result in an unfavorable outcome is estimated at $100,000 to $10,000,000.

The estimated gain in all the litigation brought by the State in which a gain is probable is estimated at $4,552,154. This amount was not accrued in these financial statements.

In November 1998, the North Dakota Attorney General joined forty-five other states and five territories in a settlement agreement against the nation's largest tobacco manufacturer. The Master Settlement Agreement includes base payments to states totaling $220.6 billion for the next 25 years, and continues in perpetuity. North Dakota's share of the settlement is expected to be $866 million over the next 25 years. The amount of the annual payment is subject to a number of modifications, including adjustments for inflation and usage volumes. Some of the adjustments may result in increases in the payments (inflation, for example), or other adjustments will likely cause decreases in the payments (e.g., volume adjustments). The net effect of these adjustments on future payments is unclear.

The State had not settled any cases before June 30, 2004, in which the settlement had not been paid as of June 30, 2004.

C. QUESTIONED COSTS

The State receives federal financial assistance which is subject to review and audit by the Office of the State Auditor and the federal government. This assistance is generally conditioned upon compliance with certain laws and regulations. Disallowed and questioned costs relating to federal assistance could become a liability to the State. The State estimates that the ultimate disallowances pertaining to federal assistance, if any, will be immaterial to its overall financial condition.

The single audit of the State of North Dakota for the two year period ending June 30, 2002, was completed in March of 2003. As a result of this audit, approximately $300,000 of identifiable questioned costs were noted. Also, there were several findings which had potentially significant, unknown, questioned costs. The State is cooperating with the federal government to resolve the findings and is optimistic these findings will not have a material impact on the State.

The 2003-2004 single audit will be issued sometime in March 2005. It is anticipated there will be potential questioned costs against the State as a result of this audit. The State does not believe the results of the audit will have a material impact.

NOTE 18 - SUBSEQUENT EVENTS

HOUSING FINANCE AGENCY

Subsequent to June 30, 2004, the Agency began the process for the issuance of 2004 Series C Housing Finance Program Bonds. The 2004 Series C bond issuance will be in the amount of $60,000,000. The 1993 AB Multi-Family bond issue of $1,783,000 was repaid on July 1, 2004.

HEALTH DEPARTMENT

The State reached an agreement in July 2004 with Burlington Northern and Santa Fe Railway Company (BNSF) to settle the lawsuit relating to the fuel contamination in downtown Mandan, North Dakota. The agreement, which was approved by the Mandan City Commission, settled claims by the North Dakota Department of Health and the City of Mandan alleging

violations of North Dakota's hazardous waste and water pollution laws.

Under the settlement, BNSF agrees to pay $29 million, of which $26.5 million will be placed in trust, and transfer property to the City of Mandan valued at $1.25 million. The settlement addresses BNSF's continued responsibility for the contamination in the Mandan Railyard and the State's right to bring future enforcement actions for any new contamination.

The financial reporting implications of the trust funds have not been determined.

WORKFORCE SAFETY & INSURANCE

At its November 17, 2004, quarterly meeting, the Workforce Safety & Insurance (WSI) board of directors unanimously approved a five percent discount for WSI's unpaid loss and loss adjusting expense liability. This is a reduction from the current rate of six percent.

The change was applied prospectively and resulted in a $55.1 million increase in the liability and expense accounts.

WATER COMMISSION

Subsequent to June 30, 2004, the Commission issued the remaining authorized but unissued 2003 A Series Bonds for the Southwest Pipeline, totaling $257,958.

MUNICIPAL BOND BANK

Subsequent to year end, the Industrial Commission approved the issuance of two separate bond series: (1) $11,790,000 State Revolving Fund Program Bonds, Series 2004 A; and (2) $880,000 Capital Financing Program Bonds, Series 2004 A. These bonds are for the express purpose of providing funds to political subdivisions for use in connection with various improvement, construction, and refinancing projects. The interest rates vary on these bonds from 2.00% to 4.75%, with maturity ranging from October 1, 2004, to October 1, 2021.

STUDENT LOAN TRUST

On July 1, 2004, the Trust purchased $2,194,000 of student loans from the Bank of North Dakota.

NORTH DAKOTA STATE UNIVERSITY

In August 2004, NDSU issued $10.3 million in revenue bonds to finance the construction of the Bison Court Apartments. The revenue bonds will be repaid with auxiliary revenues.

NOTE 19 – NEW PRONOUNCEMENT

In March 2003, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. This statement addresses common deposit and investment risks related to credit risks, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement also should be disclosed. This statement is effective for financial periods beginning after June 15, 2004. The State is planning to implement the new reporting requirements for the fiscal year 2004-05 financial statements.

STATE OF NORTH DAKOTA

Required Supplemental Information
Budgetary Comparison Schedule
General Fund
June 30, 2004

	Approved Budget 2003-2005 Biennium	Appropriation Adjustments 2003-2005 Biennium	Adjusted Budget 2003-2005 Biennium	Actual Biennium To Date Thru 6-30-04	Difference Uncollected/ Unspent Thru 6-30-04
Budgetary Fund Balance, July 1	$ 11,994,694	$ (17,755,010)	$ (5,760,316)	$ 29,700,619	$ 35,460,935
Resources (Inflows):					
Sales and Use Tax	674,764,000	-	674,764,000	338,942,963	(335,821,037)
Income Tax	526,705,000	-	526,705,000	253,149,606	(273,555,394)
Business Privilege Tax	5,200,000	-	5,200,000	2,646,071	(2,553,929)
Oil And Gas Production Tax	42,348,719	-	42,348,719	28,256,440	(14,092,279)
Oil Extraction Tax	28,651,281	-	28,651,281	15,291,025	(13,360,256)
Insurance Premium Tax	55,869,000	-	55,869,000	28,276,368	(27,592,632)
Cigarette, Cigar and Tobacco Tax	36,709,000	-	36,709,000	19,775,411	(16,933,589)
Wholesale Liquor Tax	11,634,000	-	11,634,000	5,909,958	(5,724,042)
Coal Conversion Tax	47,221,000	-	47,221,000	24,432,816	(22,788,184)
Gaming Tax	23,145,000	-	23,145,000	11,422,297	(11,722,703)
Lottery	1,431,000	-	1,431,000	1,431,000	-
Department Fees and Collections	54,410,473	-	54,410,473	82,587,547	28,177,074
Mineral Leasing Fees	4,215,000	-	4,215,000	3,385,323	(829,677)
Motor Vehicle Excise Tax	126,784,840	-	126,784,840	64,509,758	(62,275,082)
Interest on Public Funds	12,629,000	-	12,629,000	2,332,988	(10,296,012)
Gas Tax Administration	1,396,200	-	1,396,200	698,100	(698,100)
Transfers In	155,350,377	-	155,350,377	73,104,215	(82,246,162)
Total Revenue Inflows	1,808,463,890	-	1,808,463,890	956,151,886	(852,312,004)
Amounts Available for Appropriation	1,820,458,584	(17,755,010)	1,802,703,574	985,852,505	816,851,069
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	2,331,886	-	2,331,886	1,102,723	1,229,163
Secretary of State	4,142,844	105,000	4,247,844	2,210,252	2,037,592
Office of Management and Budget	19,740,511	1,505,407	21,245,918	10,281,331	10,964,587
Information Technology	8,194,803	-	8,194,803	4,498,819	3,695,984
State Auditor	4,581,232	-	4,581,232	2,172,944	2,408,288
State Treasurer	2,626,384	-	2,626,384	1,224,847	1,401,537
Attorney General	17,054,217	66,000	17,120,217	7,767,907	9,352,310
Tax Department	21,154,695	110,000	21,264,695	9,571,113	11,693,582
Legislative Assembly	8,561,252	223,676	8,784,928	1,658,645	7,126,283
Legislative Council	7,532,856	529,695	8,062,551	3,562,981	4,499,570
Supreme Court	55,087,369	-	55,087,369	25,779,895	29,307,474
Education:					
Public Instruction	604,725,006	105,000	604,830,006	298,560,440	306,269,566
Education Practices & Standards Board	40,000	-	40,000	11,250	28,750
State Library	3,027,046	-	3,027,046	1,416,419	1,610,627
School for the Deaf	5,073,242	-	5,073,242	2,398,067	2,675,175
School for the Blind	2,089,825	-	2,089,825	1,313,645	776,180
Vocational Education	14,673,473	-	14,673,473	7,130,508	7,542,965
Health & Human Services:					
Dept. of Health	13,101,092	-	13,101,092	5,597,933	7,503,159
Veteran's Home	3,046,072	-	3,046,072	76,108	2,969,964
Indian Affairs Commission	355,243	-	355,243	177,203	178,040
Veteran's Affairs	480,798	25,000	505,798	242,305	263,493
Dept. of Human Services-Management	13,717,616	266,259	13,983,875	6,729,383	7,254,492
Dept. of Human Services-Program and Policy	310,747,679	(266,259)	310,481,420	141,657,395	168,824,025
Dept. of Human Services-Centers	86,616,528	-	86,616,528	59,151,405	27,465,123
Protection and Advocacy	782,723	-	782,723	356,260	426,463
Job Service	1,250,000	-	1,250,000	306,837	943,163
Regulatory:					
Insurance Commission	100,000	-	100,000	66,423	33,577
Industrial Commission	7,026,884	-	7,026,884	5,128,368	1,898,516
Labor Commission	877,947	-	877,947	390,920	487,027
Public Service Commission	3,911,494	-	3,911,494	1,883,967	2,027,527
Securities Commissioner	1,080,165	-	1,080,165	530,198	549,967
Public Safety and Corrections:					
Highway Patrol	18,211,522	-	18,211,522	12,470,374	5,741,148
Division of Emergency Management	1,369,035	21,418	1,390,453	558,960	831,493
Corrections & Rehab	81,736,611	56,213	81,792,824	39,006,507	42,786,317
Adjutant General	9,170,983	-	9,170,983	3,608,051	5,562,932
Agriculture & Commerce:					
Department of Commerce	17,464,723	1,168,128	18,632,851	8,589,730	10,043,121
Department of Agriculture	4,233,525	5,400	4,238,925	2,000,731	2,238,194
State Fair	581,750	-	581,750	395,875	185,875
Natural Resources:					
Historical Society	7,259,934	295,536	7,555,470	3,505,760	4,049,710
Council on the Arts	1,004,403	-	1,004,403	430,597	573,806
Parks and Recreation	7,056,513	369,950	7,426,463	3,573,883	3,852,580
Water Commission	9,385,396	-	9,385,396	4,357,343	5,028,053
Transportation:					
Aeronautics Commission	522,500	-	522,500	522,500	-
Transfers Out	421,933,384	2,229,624	424,163,008	212,732,199	211,430,809
Total Charges to Appropriations	1,803,661,161	6,816,047	1,810,477,208	894,709,001	915,768,207
Ending Budgetary Fund Balance	$ 16,797,423	$ (24,571,057)	$ (7,773,634)	$ 91,143,504	$ 98,917,138

STATE OF NORTH DAKOTA

Required Supplemental Information
Budgetary Comparison Schedule
Budget to GAAP Reconciliation
General Fund
June 30, 2004

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and for the General Fund Expenditures

Sources/Inflows of resources

Actual Amounts (budgetary basis) "total revenue inflows" from the budgetary comparison schedule	956,151,886
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	8,529,996
Repayment received on loans receivable are revenue for Budget not GAAP	(18,108)
Reimbursement activity between state agencies is eliminated only for GAAP	(586,292)
Proceeds are recorded for new capital leases on GAAP, but not for Budget	156,018
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	$ 964,233,500

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	894,709,001
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	1,273,501
New Loans issued are expenditures for Budget but not for GAAP	(3,717,581)
Reimbursement activity between state agencies is eliminated only for GAAP	683,522
GAAP, but not Budget expenditures are reduced by year end inventory balances	89,157
New capital leases are recorded as expenditures for GAAP, but not for Budget	156,018
Certain due to other funds are recorded under GAAP, but not for Budget	3,221,792
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	$ 896,415,410

STATE OF NORTH DAKOTA

Required Supplemental Information
Budgetary Comparison Schedule
Other Funds
June 30, 2004

	Approved Budget 2003-2005 Biennium	Appropriation Adjustments 2003-2005 Biennium	Adjusted Budget 2003-2005 Biennium	Actual Biennium To Date Thru 6-30-04	Difference Uncollected/ Unspent Thru 6-30-04
Budgetary Fund Balance, July 1	$ -	$ -	$ -	$ -	$ -
Resources (Inflows):					
Other Budgeted Income	3,401,863,612	153,818,389	3,555,682,001	1,538,495,480	(2,017,186,521)
Total Revenue Inflows	3,401,863,612	153,818,389	3,555,682,001	1,538,495,480	(2,017,186,521)
Amounts Available for Appropriation	3,401,863,612	153,818,389	3,555,682,001	1,538,495,480	2,017,186,521
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	780,000	1,380,000	2,160,000	1,532,719	627,281
Secretary of State	9,880,363	(26,636)	9,853,727	2,254,205	7,599,522
Office of Management & Budget	7,888,476	3,882,752	11,771,228	3,185,204	8,586,024
Information Technology	98,117,301	12,526	98,129,827	47,568,969	50,560,858
State Auditor	2,117,976	-	2,117,976	947,476	1,170,500
Attorney General	17,429,474	200,000	17,629,474	6,431,587	11,197,887
Tax Department	115,044	150,000	265,044	175,870	89,174
Supreme Court	2,043,536	2,500	2,046,036	1,211,640	834,396
Education:					
Public Instruction	266,058,803	-	266,058,803	141,568,787	124,490,016
State Library	1,629,979	-	1,629,979	681,840	948,139
School for the Deaf	871,449	-	871,449	353,203	518,246
Vocational Education	10,874,500	518,500	11,393,000	5,113,874	6,279,126
Health & Human Services:					
Dept. of Health	106,481,656	13,619,353	120,101,009	50,765,272	69,335,737
Veteran's Home	7,971,123	66,531	8,037,654	4,617,251	3,420,403
Indian Affairs	-	85,000	85,000	-	85,000
Dept. of Human Services-Management	34,130,107	(289,259)	33,840,848	13,763,581	20,077,267
Dept. of Human Services-Program and Policy	959,092,082	17,514,086	976,606,168	480,769,827	495,836,341
Dept. of Human Services-Centers	104,579,743	1,075,173	105,654,916	33,350,983	72,303,933
Protection and Advocacy	2,443,532	1,270,981	3,714,513	1,104,882	2,609,631
Job Service	56,204,717	40,000	56,244,717	26,306,282	29,938,435
Regulatory:					
Insurance Department	6,486,779	112,632	6,599,411	2,959,233	3,640,178
Industrial Commission	37,291,836	-	37,291,836	11,028,485	26,263,351
Labor Commission	229,698	375,000	604,698	217,868	386,830
Public Service Commission	6,072,767	-	6,072,767	2,114,120	3,958,647
Public Safety and Corrections:					
Highway Patrol	15,481,087	-	15,481,087	1,405,061	14,076,026
Division of Emergency Management	37,217,141	34,346,058	71,563,199	21,385,147	50,178,052
Corrections & Rehab	32,580,087	944,756	33,524,843	12,815,881	20,708,962
Adjutant General	20,718,716	9,185,000	29,903,716	13,661,583	16,242,133
Agriculture & Commerce:					
Department of Commerce	52,353,107	5,917,877	58,270,984	23,150,995	35,119,989
Department of Agriculture	8,318,849	1,088,778	9,407,627	3,839,285	5,568,342
Natural Resources:					
Historical Society	4,391,042	1,621,000	6,012,042	1,785,023	4,227,019
Council on the Arts	1,222,215	-	1,222,215	581,556	640,659
Game and Fish	43,365,763	1,032,000	44,397,763	20,992,474	23,405,289
Parks and Recreation	10,772,107	-	10,772,107	4,136,208	6,635,899
Water Commission	150,473,458	3,000,000	153,473,458	37,814,582	115,658,876
Transportation:					
Aeronautics Commission	8,637,292	(6,942)	8,630,350	1,240,104	7,390,246
Department of Transportation	784,385,918	7,977,241	792,363,159	358,821,169	433,541,990
Total Charges to Appropriations	2,908,707,723	105,094,907	3,013,802,630	1,339,652,226	1,674,150,404
Ending Budgetary Fund Balance	$ 493,155,889	$ 48,723,482	$ 541,879,371	$ 198,843,254	$ (343,036,117)

STATE OF NORTH DAKOTA

Required Supplemental Information
Budgetary Comparison Schedule
Budget to GAAP Reconciliation
Federal Fund
June 30, 2004

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and for the Federal Fund Expenditures

Sources/Inflows of resources

Actual Amounts (budgetary basis) "total revenue inflows" from the budgetary comparison schedule	1,538,495,480
Perspective difference: Non-Federal fund revenues	(556,592,380)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	8,576,123
Certain due from other funds are recorded under GAAP, but not for Budget	(3,070,752)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	$ 987,408,471

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	1,339,652,226
Perspective difference: Non-Federal fund expenditures and FY 2002 federal expenditures	(358,549,126)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	10,030,410
New Loans issued are expenditures for Budget but not for GAAP	(543,048)
GAAP, but not Budget expenditures are reduced by year end inventory balances	7,687
New capital leases are recorded as expenditures for GAAP, but not for Budget	
Non-appropriated transfers are expenditures for GAAP, but not for Budget	9,951,066
Certain due to other funds are recorded under GAAP, but not for Budget	(4,760,894)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	$ 995,788,321

STATE OF NORTH DAKOTA

Note to Required Supplemental Information
Budgetary Reporting
June 30, 2004

The Budgetary Comparison Schedules present comparisons of the original and revised legally adopted budgets with actual data on a budgetary basis for major funds. The only major fund with a legally adopted budget is the General Fund. All other funds are budgeted together as "Other Budgeted Funds." A budgetary schedule has been done for these other funds because they include budgeted amounts for the Federal Fund, which is a major special revenue fund. These amounts are reported on the schedule entitled "Other Funds." Only the agencies with federal funds are listed here along with any of their non-federal fund budgeted amounts.

North Dakota's Appropriation Acts include a dual legal level of budgetary control - one at the General Fund versus Other Budget Income level for each agency and one at the line item level for each agency. Line items are not separate between General Fund and Other Budgeted Income so that control is not presented in our budgetary comparison schedule for major funds. The legal level of control for all agencies is reported in a publication titled "State of North Dakota 2003-2005 Biennium Budget and Actual Detail (Budgetary Basis) For the Fiscal Year Ended June 30, 2004." This budget information is available through the Office of Management and Budget, 600 East Boulevard Avenue, Dept. 110, Bismarck, ND 58505. During 2004, the first year of the 2003-2005 biennium there were general and federal fund supplemental appropriations of $97,079,415.

The Budgetary Comparison Schedule reports expenditures on a budgetary basis. The accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present the financial statements in accordance with GAAP. Reconciliations of the two for the fiscal year ended June 30, 2004, for the General Fund and the Federal Fund are on the previous pages. On the reconciliation for Federal Fund, the non-federal fund amounts are also backed out.

STATE OF NORTH DAKOTA

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

AGRICULTURE

219 - Milk Marketing Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 4-18.1)

224 - Alcohol Motor Vehicle Fuel Fund
Funds used for the enhancement of agricultural research, development, processing, and marketing. (NDCC 4-14.1)

260 - Minor Use Pesticide Fund
Accounts for registration and donations to the pesticide control board. (NDCC 4-35)

264 - Anhydrous Ammonia Storage Inspection Fund
Account for inspection fees collected which are related to the distribution of anhydrous ammonia. (NDCC 19-20.2)

306 – Stockmen's Association Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 36-22)

308 - Agriculture Department Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 4-01)

329 - Seed Department Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 4-09, 4-10, and 4-11)

376 - Environment and Rangeland Protection Fund
To be used for rangeland improvement projects. (NDCC 19-18)

447 – Ethanol Production Incentive Fund
Funds are used for paying ethanol production incentives. (NDCC 4-14.1)

972 - Home Quarter Purchase Fund
This fund is for the subsidy of interest rates on home-quarter purchases. "Home-quarter" serves as the base unit of a farm and upon which the farm residence and buildings are located. (NDCC 6-09.10)

COMMODITY PROMOTION

208 - Soybean Council Fund
To promote the sale of North Dakota soybean products. (NDCC 4-10.5)

220 - Spud Fund
To promote the sale of North Dakota potato products. (NDCC 4-10.1)

221 - Turkey Promotion Fund
To promote the sale of North Dakota turkey products. (NDCC 4-13.1)

223 - Honey Promotion Fund
To promote the sale of North Dakota honey products. (NDCC 4-12.1)

227 - Dry Pea and Lentil Council Fund
To promote the sale of North Dakota dry pea and lentil bean products. (NDCC 4-10.7)

228 - Wheat Commission Fund
To promote the sale of North Dakota wheat products. (NDCC 4-28)

229 - Beef Commission Fund
To promote the sale of North Dakota beef products. (NDCC 4-34)

231 - Barley Growers Check-Off
To promote the sale of North Dakota barley products. (NDCC 4-10.4)

241 - Edible Bean Fund
To promote the sale of North Dakota edible bean products. (NDCC 4-10.3)

245 - Oilseed Fund
To promote the sale of North Dakota oilseed products. (NDCC 4-10.2)

270 - Corn Fund
To promote the sale of North Dakota corn products. (NDCC 4-10.6)

309 - Dairy Products Promotion Fund
To promote the sale of North Dakota dairy products. (NDCC 4-27)

COMMERCE

330 - Economic Development Commission Fund
Accounts for revenues and expenditures associated with the general operation of the economic development division. (NDCC 54-34)

342 – Community Services Fund
Accounts for revenues and expenditures associated with the general operation of the division of community services. (NDCC 54-44.5)

443 - Tourism Fund
Accounts for revenues and expenditures associated with the general operation of the tourism division. (NDCC 54-34.4)

CULTURAL AND NATURAL RESOURCES

216 - Non-Game Wildlife Fund
Funds used for the preservation, inventory, perpetuation, and conservation of non-game wildlife, natural areas, and nature preserves in this state. (NDCC 20.1-02)

234 - Fossil Excavation and Restoration Fund
Used for funds received by the geological survey for the excavation and restoration of fossils. (NDCC 54-17.4)

236 - State Waterbank Fund
Funds used for the purpose and implementation of wetland conservation and development plans. (NDCC 61-31)

249 - Surface Mine and Reclamation Fund
Funds used for the purpose of reclaiming land affected by surface coal mining operations. (NDCC 38-14.3)

253 - Historical Impact Emergency Fund
Used for emergency mitigation of adverse effects on cultural resources and historical buildings, structures, or objects in the state. (NDCC 55-02)

267 - Water Development Trust Fund
To be used to address the long-term water development and management needs of the state. (NDCC 54-27)

314 (934) - Lignite Research Fund
Funds used for contracts for land reclamation research projects and for research, development, and marketing of lignite and products derived from lignite. (NDCC 57-61)

317 - Oil and Gas Reservoir Data Fund
Funds used for defraying the costs of providing reservoir data compiled by the Industrial Commission to state, federal, and county departments and agencies, and members of the general public. (NDCC 38-08)

327 - State Historical Revolving Fund
Used for making investigations of permit applicants and for the management and analysis of records and artifacts. (NDCC 55-03)

377 - Historical Society Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 55-02)

397 - Water Commission Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 61-02)

399 - Arts and Humanities Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-54)

415 - Historical Society Gift & Bequests Fund
All moneys coming into the hands of the State Historical Board as a grant, bequest, donation, etc., is deposited into this fund. Moneys must be paid out for the purposes prescribed by the donor and approved by the board. (NDCC 55-01)

445 - Abandoned Mine Reclamation Setaside Fund
To defray the administrative expenses of the program. (NDCC 38-14.2, effective 9/20/04)

448 - Abandoned Oil and Gas Reclamation Fund
Funds used for contracting the plugging of abandoned wells and for the reclamation of abandoned drilling and production sites, saltwater disposal pits, drilling fluid pits, and excess roads. (NDCC 38-08)

488 - Habitat and Depredation Fund
Funds used to improve private land habitats. (NDCC 20.1-02)

EDUCATION

206 (959) – Land Maintenance Fund
Ten percent of the income derived from state assets under control of the Board of University and School Lands to be used for the general operation of the department. (NDCC 15-03)

235 - Displaced Homemakers Fund
Funds for providing services for displaced homemakers. (NDCC 14-06.1)

271 - Vision Aids and Appliances Fund
Used by the School for the Blind to purchase and resell vision specific adaptive aids, devices and appliances to be used by blind and visually impaired persons resident in state. (NDCC 25-06)

274 – Independent Study Operating Fund
Accounts for the revenues and expenditures associated with the general operations of the Division of Independent Study. (NDCC 15-19)

353 - School for the Deaf Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 25-01)

354 - School for the Blind Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 25-01)

390 - Library Commission Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 40-38)

391 - Public Instruction Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 15.1-02)

393 – Vocational Education Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 15-20.1)

440 - State Tuition Fund
Funds are to pay the amount apportioned among the several school districts of the state in proportion to the number of children of school age residing in each. (NDCC 15-44)

496 - Foundation Aid Stabilization Fund
Accounts for one-half of 20 percent of the revenue from oil extraction taxes collected and used to offset foundation aid reductions due to a revenue shortage. (Constitution of North Dakota, Art. X, Section 24)

702 - Department of Public Instruction-Printing Revolving Fund
Funds collected by the superintendent of public instruction as payment from schools for instructional materials developed and printed by the superintendent shall be paid into the printing revolving fund. (NDCC 15.1-03)

948 - School for the Blind - Federal Quota
Account for funds made available to buy text books from the American Printing House for the Blind Incorporated. (NDCC 15-59)

HEALTH AND HUMAN SERVICES

215 - Children's Services Coordinating Committee Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-56)

254 - Employment of People With Disabilities Fund
This fund is for the development of job opportunities for disabled individuals in this state. (NDCC 39-01)

257 - Organ/Tissue Transplant Fund
To provide financial assistance to transplant patients. (NDCC 23-01)

258 - Quality Restoration Fund
Moneys recovered from parties responsible for an environmental emergency. Used for costs of environmental assessment, removal, corrective action, or monitoring as determined on a case-by-case basis. (NDCC 23-31)

285 – Compulsive Gambling Prevention and Treatment Fund
Funds are used for gambling prevention and treatment services. (NDCC 50-06)

313 - Environmental Health Practitioners License Administrators Fund
Accounts for revenues and expenditures associated with advisory board duties. (NDCC 43-43)

315 - ND Health Care Trust Fund
Funds to be used for long-term care reform. (NDCC 50-30)

316 - Community Health Trust Fund
To be used for community-based public health systems and other public health programs, including programs with emphasis on preventing or reducing tobacco usage in the state. (NDCC 54-27)

318 - Indian Affairs Commission Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-36)

355 – Provider Assessment Fund
Accounts for an assessment on intermediate care facilities for the mentally retarded. (NDCC 57-63)

360 - Human Services Department Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 50-06)

364 – Indian Affairs Printing Revolving Fund
Accounts for the revenues and expenses relating to the sale of publications produced and distributed by the Indian Affairs Commission. (NDCC 54-36)

370 - Health and Consolidated Laboratories Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 23-01)

371 - Wastewater Operators Certificate Fund
The health department shall regulate waste treatment plants, water distribution systems, and wastewater treatment plants and provide operator training to protect the public health and prevent pollution of the waters of the state. (NDCC 23-26)

419 - Children's Trust Fund
To aid in the prevention of child abuse and neglect and developing child abuse prevention programs. (NDCC 50-27)

462 - Domestic Violence Prevention Fund
Used for grants to private nonprofit organizations that are engaged in providing emergency housing for victims of domestic violence and their dependents. (NDCC 14-03)

931 - Human Services Donor Implied Trust Fund
Funds donated with informal requests to be used for the welfare of the patients the department serves. (NDCC 15-67)

938 - State Hospital - Special Revenue Fund
Accounts for funds donated for the patients' religious and welfare needs. (NDCC 25-01)

996 - Developmental Center Residents Welfare Fund
Accounts for funds donated for the residents' needs. (NDCC 25-01)

JUDICIAL AND LEGAL

204 - Attorney General Asset Forfeiture Fund
Funds obtained from the authorized sale of assets seized and forfeited from narcotics investigations and arrests. (NDCC 54-12)

237 - Indigent Civil Legal Services Fund
Funds to provide legal services to persons unable to afford private counsel. (NDCC 54-06)

250 - Attorney General Refund Fund
Accounts for financial resources of the consumer fraud division. (NDCC 54-12)

268 – Restitution Collection Assistance Fund
Accounts for restitution received and used for defraying expenses related to collection of restitution. (NDCC 12.1-32)

278 – Racing Breeders Fund
Accounts for revenues that are used to award racehorse breeders. (NDCC 53-06.2)

279 – Court Facilities Improvement Fund
Used to provide grants to counties for court facilities improvement and maintenance projects. (NDCC 27-05.2)

282 – Indigent Defense Administration Fund
Funds are used to contract for indigent defense services in the state. (NDCC 29-26)

290 – Racing Purse Fund
Revenues are used to supplement and improve purses offered at racetracks within the state. (NDCC 56-06.2)

295 – Electronic Filing Administration Fund
Used by the Judicial Branch to cover the costs of maintaining an electronic filing system and managing electronic documents. (NDCC 27-03)

312 - State Courts
Revenues are from a filing fee charged by the clerk of the supreme court. Moneys are used to procure the necessary records, supplies and furniture to be used by the supreme court. (NDCC 27-03)

322 - Attorney General Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-12)

328 - Judicial Conduct Commission Fund
Funds to investigate complaints against any judge in the state and to conduct hearings concerning the discipline, removal, or retirement of any judge. (NDCC 27-23)

339 – Racing Promotion Fund
Revenues are used for the promotion of racing and for the operating expenses of the Racing Commission. (NDCC 53-06.2)

935 - Five State Judicial Council
Funds to provide an account for moneys related to the sponsoring of a judicial conference for justices and judges from the participating states. (OMB Policy 211)

LAND DEPARTMENT COAL AND MINERAL

493 (955) - Land and Minerals Trust:
Income derived from the sale, lease, and management of the mineral interests acquired by the Board of University and School Lands. (NDCC 15-08.1)

515(956) - Coal Development Trust
Revenues are from severance tax on coal. The fund is held in trust and administered by the Board of University and School Lands for loans to coal impacted political subdivisions. (NDCC 57-62)

LOCAL GOVERNMENT

238(925) - Energy Development Impact
Accounts for monies to be distributed through grants to coal impacted political subdivisions. (NDCC 57-62)

240 - Insurance Tax Distribution Fund
Accounts for financial resources for fire departments within the State. (NDCC 18-04)

400 - Highway Tax Distribution Fund
Accounts for collections of motor vehicle registration and related fees, fuels taxes, special fuels taxes, use taxes, and special fuels excise taxes that are allocated to counties, cities, and other political subdivisions for the construction and maintenance of highways. (NDCC 54-27)

401 - State Aid Distribution Fund
Accounts for a portion of sales, use, and motor vehicle excise taxes that are deposited into this fund and are allocated to local political subdivisions. (NDCC 57-39.2)

405 - Financial Institution Tax Distribution
Accounts for a tax imposed on each financial institution for distribution to counties. (NDCC 57-35.3)

412 - Coal Severance Tax Distribution Fund
Accounts for a portion of the tax imposed upon all coal severed for sale or for industrial purposes by coal mines to be distributed to counties. (NDCC 57-61)

416 - Federal Tax Replacement Fund
Accounts for collecting federal funds and distributes those funds back to counties for Flood Control, Taylor Grazing and National Forests. (NDCC 15-01)

420 - Cigarette Tax Distribution Fund
Accounts for a tax on cigarettes distributed on a per capita basis to the incorporated cities. (NDCC 57-36)

424 – Telecommunications Carriers Tax Fund
Accounts for the telecommunications carriers' tax that is allocated to counties. (NDCC 57-34)

427 - Oil and Gas Production Tax Distribution Fund
Accounts for a portion of real property tax on oil and gas producing mineral estates and interests to be allocated to counties. (NDCC 57-51)

431 - Transmission Line Tax Distribution Fund
Accounts for tax of transmission lines and the allocation to counties in which such transmission lines are located. (NDCC 57-33.1)

444 - Township Road and Bridge Fund
Moneys from the Township Highway Aid Fund and fifty percent matching funds based on the length of township roads in each organized township compared to the length of all township roads in the county. Used for highway and bridge purposes. (NDCC 54-27)

446 – Gaming and Excise Tax Allocation Fund
Accounts for a portion of gaming and excise taxes that are deposited in this fund for distribution to cities and counties. (NDCC 53-06.1)

454 - Coal Conversion Tax Trust Fund
Accounts for a portion of the tax paid monthly for the privilege of producing products of such coal conversion facility to be allocated to counties. (NDCC 57-60)

468 - Estate Tax Distribution Fund Monies collected from Estate Tax. Following the end of each calendar quarterly period the state treasurer shall pay over to the county treasurer of the appropriate county, for its general fund, the amount of tax collected on the transfer of the property in that county. (NDCC 57-37.1)

494 - Air Transportation Fund
Taxes imposed upon air transportation companies. Within ninety days after receipt the funds must be allocated and remitted by the state treasurer to the cities or municipal airport authorities where such transportation companies make regularly scheduled landings. (NDCC 57-32)

OIL TAX RESOURCES

469 - Oil Tax Resources Trust Fund
Funds to be used by the state water commission for planning for and construction of water-related projects, including rural water systems. (NDCC 57-51.1)

OTHER SPECIAL

212 - Statewide Conference
Accounts for revenues and expenditures for state agencies that have conferences. (OMB Policy 211)

246 - State Auditor's Operating Fund
Accounts for revenues and expenditures associated with the operations of the political subdivision of the Office. (NDCC 54-10)

251 - Capitol Grounds Planning Fund
Funds dedicated to implement the Capitol Grounds Master Plan for the development of the capitol grounds. (NDCC 48-10)

256 - Bicentennial Trust Fund
Fund to be used to commemorate and celebrate North Dakota's bicentennial. (NDCC 54-11)

259 - Legislative Services Fund
Accounts for fees received for providing legislative information services and copies of documents. (NDCC 54-35)

263 - Secretary of State General Services Fund
Accounts for revenues and expenditures relating to certain services provided by the department. (NDCC 54-09)

266 - Administrative Hearings Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-57)

272 – Multistate Tax Commission Fund
Accounts for expenditures of the multistate tax commission. (2001 S.L., HB 1006)

283 – Election Fund
Funds are to be used for the exclusive purpose of carrying out the activities of the Help America Vote Act of 2002. (NDCC 16.1-01)

302 – Athletic Commission Fund
Accounts for revenues and expenditures associated with the athletic advisory board. (NDCC 53-01)

304 - Governor's Special Fund
Moneys that have become available during the biennium from federal funds and private funds. (2003 S.L. ch. 22, Sec. 2,)

307 - Veterinary Medical Exam Fund
Fund used by the North Dakota state board of veterinary medical examiners for the purpose of licensing and policing the requirements of their industry. (NDCC 43-29)

384 - Jobs Training Program Fund
Accounts for projects established by job service North Dakota to provide workers with education and training required for jobs in new or expanding primary sector businesses in the state. (NDCC 52-02.1)

392 - Insurance Recoveries Property Fund
Funds from insurance claims for damaged or destroyed property are deposited into this fund. Agencies are allowed to incur expenditures to replace this property, but are limited by the amount collected and deposited into the fund. (NDCC 54-44.1)

460 - Preliminary Planning Revolving Loan Fund
Used for the prepayment of consulting and planning fees for new capital improvements and major remodeling of existing facilities. (NDCC 54-27)

603 - Concession Fund - State Historical Society
Funds received in the normal course of business from concession operations actually carried on by the state as a proprietor. All moneys are expended in the course of carrying on the business activities of such concession operations. (NDCC 55-02)

701 - Postage Revolving Fund
Fund collections from the state offices, departments, and agencies, for postage, shall be paid into the fund. (NDCC 48-06)

730 - Central Personnel Training Fund
Fund used for the coordination of employee training and development programs to state departments and agencies. (NDCC 54-44)

902 - Capitol Renovation Fund
Funds dedicated and reserved for the exclusive use of renovations needed to the capitol buildings and grounds. (NDCC 48-10)

968 - Job Service - Special Revenue
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 52-02)

997 – Capitol Building Fund
Accounts for moneys accumulated from the sale or leasing of any lands granted in the Enabling Act for the purpose of erecting public buildings at the capital for legislative, executive and judicial purposes. (The Enabling Act, Section 12)

PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION (PACE) FUNDS

916 - Partnership in Assisting Community Expansion Fund
Fund to buy down the interest rate on loans made by a lead financial institution in participation with the Bank of North Dakota. (NDCC 6-09.14)

917 - Agricultural PACE Fund
Fund to reduce the interest rate on loans made for a farm business (i.e. purchase of real property and equipment, expansions, working capital and purchase of inventory). (NDCC 6-09.13)

PERMANENT OIL TAX TRUST

432 - Permanent Oil Tax Trust Fund
Accounts for oil and gas tax revenues in excess of the amount specified for deposit in the general fund. (NDCC 57-51.1)

PUBLIC SAFETY AND CORRECTIONS

214 - National Guard Emergency Fund
Funds used for costs of the national guard in performing emergency State services. (NDCC 37-01)

311 – Special Operations Team Reimbursement Fund
Funds are used to reimburse city and county governments that provide special operations team services to rural areas. (NDCC 54-12)

321 – Probationer Violation Transportation Fund
Funds are used to defray the costs of returning to the state probationers who violate their conditions of supervision. (2003 S.L., SB 2339)

366 - Penitentiary - Land Replacement Fund
Fund used for the acquisition of additional land and facilities to maintain, expand, or relocate the state farm and the farming and ranching operations of the North Dakota state penitentiary and for penitentiary renovation. (NDCC 54-23.3)

372 - Crime Victims Gift Fund
All donations to the department of corrections and rehabilitation in the form of restitution funds, gifts, grants and bequests of property or money, and any interest accruing, must be placed in this fund. (NDCC 54-23.4)

373 - Radio Communications Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 54-23.2)

375 - Emergency Management Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 37-17.1)

378 - State Hazardous Chemicals Fund
Account for revenue collected from the state hazardous chemical fee system. (NDCC 37-17.1)

379 - Department of Corrections Operating
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 12-47)

383 - National Guard Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 37-01)

385 - National Guard Military Grounds Fund
Funds used for the improvement of the properties for military uses. (NDCC 37-03)

RECREATION

222 - Game and Fish Department Fund
Accounts for the revenues and expenditures associated with the operation of the game and fish department. (NDCC 20.1-02)

261 - Snowmobile Fund
Fund for administering snowmobile safety programs and establishing and maintaining snowmobile facilities. (NDCC 39-24)

265 - State Parks Gift Fund
All donations to the state parks and recreation department in the form of gifts, trusts, and bequests of property or money, and any interest accruing thereon, must be placed in the fund. (NDCC 55-08)

398 - Parks and Recreation Fund
Accounts for revenues and expenditures associated with the general operation of the parks and recreation department. (NDCC 55-08)

441 - Trail Tax Transfer Fund
Fund used for all-terrain vehicle safety education and promotion. (NDCC 39-29)

602 - State Parks Concession Fund
Fund used for the procurement of supplies of a suitable nature for the operation of concession stands at the state parks. Also for repair, replacement construction, and maintenance of concession buildings, facilities, and properties. (NDCC 55-08)

REGULATORY

209 - Unsatisfied Judgment Fund
Funds to pay for damages occurring from a motor vehicle accident when a judgment has been rendered and the judgment debtor is unable to satisfy the claim. (NDCC 26.1-23)

233 - Petroleum Release Compensation Fund
Funds to provide for cleanup of petroleum spills through the establishment of a petroleum release compensation fund. (NDCC 23-37)

239 - Insurance Regulatory Trust Fund
Funds to defray the expenses of the insurance department in the discharge of its administrative and regulatory powers and duties. (NDCC 26.1-01)

242 - Financial Institution Regulatory Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 6-01)

244 – Investor Education and Technology Fund
Funds provide education services to the public regarding the financial services industry and for the technology needs of the Securities Department. (NDCC 10-04)

247 – Oil and Gas Research Fund
Funds are to be used for oil and gas research activities. (NDCC 57-51.1)

248 - Public Service Commission Valuation Fund
Accounts for revenues and expenditures associated with rate hearings, investigations and proceedings. The utility being investigated pays these expenses. (NDCC 49-02 and 49-21)

262 - Securities Protection Fund
Accounts for revenues and expenditures from civil penalties collected from securities enforcement actions. (NDCC 10-04)

280 – Performance Assurance Fund
Revenues received under the performance assurance plan are to be used to monitor the operation and effect of the plan. (NDCC 49-21)

305 - Industrial Commission Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 4-36)

395 – Credit Sale Contract Indemnity Fund
Accounts for an assessment on grain sold under a credit-sale contract to be used to reimburse persons selling grain under a credit sale contract upon insolvency of a grain buyer. (NDCC 60-10)

TRANSPORTATION

200 - Highway Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 24-02)

202 - Abandoned Vehicle Fund
Funds used to dispose abandoned motor vehicles and other forms of scrap metal. (NDCC 39-26)

205 - Motorcycle Safety Fund
Motorcycle safety education fees used for promoting motorcycle safety. (NDCC 39-28)

217 – Motor Vehicle Registration Fund
Fees from dealer registrations are to be deposited in this fund. (NDCC 39-22)

225 – State Infrastructure Bank (SIB)
Funds for funding eligible projects as determined by agreement of the members of the multi-state infrastructure bank. (NDCC 24-02)

230 - Special Road Fund
Used for the construction and maintenance of access roads to and roads within recreational, tourist, and historical areas. (NDCC 24-02)

232 - Public Transportation Fund
A fee for each motor vehicle registered is deposited in this fund and is used to establish and maintain public transportation, especially for the elderly and handicapped. (NDCC 39-04.2)

324 - Aeronautics Commission Special Fund
This fund is unclaimed refund revenue collected by the aeronautics commissioner and shall be administered and expended by the aeronautics commission for construction, reconstruction, repair, maintenance, and operation of airports near communities, recreational areas, or parks and for necessary expenses and for the purchase of land and easements for such facilities. (NDCC 57-43.3)

VETERANS

368 - Veterans Aid Fund
The sum of seven hundred thousand dollars is a permanent revolving fund of the veterans' aid fund and is used solely for the purpose of making loans to veterans. (NDCC 37-14)

380 - Soldiers Home Fund
Accounts for revenues and expenditures associated with the general operation of the department. (NDCC 37-15)

410 - Veterans Postwar Trust Fund
Fund is utilized for programs of benefit and service to veterans or their dependents. (NDCC 37-14)

433 - Veterans Cemetery Fund
Funds used for the maintenance and operation of the Veteran's Cemetery. (NDCC 37-03)

491 - Veterans' Cemetery Trust Fund
Accounts for distinctive motor license plates fees for the operation of the Veterans' Cemetery. (NDCC 39-04)

941 – Commandant's Fund
A conglomerate of funds from interest, sales of crafts, bus charges, cable television, and donations to the home from the many organizations that donate to the home. These donations are earmarked for a specific use or purpose. (NDCC 37-15)

Capital Projects Funds

A capital projects fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

BUILDING AUTHORITY

960 - Building Authority Capital Projects Fund
Account for the acquisition or construction of buildings primarily for use by the State and making any improvements connected to those buildings. (NDCC 54-17.2)

WATER COMMISSION

961 - Water Commission - Capital Projects Fund
Account for the construction of water related projects, including rural water systems. (NDCC 61-02)

Debt Service Funds

A debt service fund is used to account for accumulation for resources for, and the payment of, principal and interest on long-term debt.

BUILDING AUTHORITY

919 - Building Authority Debt Service Fund
Account for accumulation of resources for, and the payment of, principal and interest on bonds issued by the North Dakota Building Authority. (NDCC 54-17.2)

LIGNITE RESEARCH

928 - Lignite Research Debt Service Fund
Account for accumulation of resources for, and the payment of, principal and interest on bonds issued by the Industrial Commission of North Dakota to assist Dakota Gasification Company with the funding of construction of an anhydrous ammonia plant. (NDCC 54-17.5)

WATER COMMISSION

962 - Water Commission Debt Service Fund
Account for accumulation of resources for, and the payment of, principal and interest on bonds issued by the State Water Commission. (NDCC 61-02)

STATE OF NORTH DAKOTA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	Special Revenue Funds					
	Agriculture	Commodity Promotion	Commerce	Cultural and Natural Resources	Education	Health and Human Services
ASSETS						
Cash Deposits at the Bank of ND	$ 6,904,627	$ 3,407,256	$ 5,383,299	$ 21,855,958	$ 14,977,699	$ 43,260,074
Cash and Cash Equivalents	301,213	1,481,378	321	800	351,733	653,153
Investments at the Bank of ND	546,836	-	2,100,000	2,313,069	-	17,778,667
Investments	-	1,093,000	-	298,000	-	-
Accounts Receivable - Net	165,055	1,216,046	383,116	5,215,606	3,799,030	7,891,201
Taxes Receivable - Net	25,858	-	-	42,755	439,166	54,057
Interest Receivable - Net	47	1,597	255,380	5,878	-	265,546
Intergovernmental Receivable - Net	-	-	-	488,555	-	1,620,871
Due from Other Funds	20,618	7,500	2,671	488,138	1,688	4,414,734
Prepaid Items	-	-	-	406,177	-	-
Inventory	-	-	46,812	-	123,177	-
Loans and Notes Receivable - Net	2,829	-	10,000,447	3,944,984	-	10,939,272
Total Assets	$ 7,967,083	$ 7,206,777	$ 18,172,046	$ 35,059,920	$ 19,692,493	$ 86,877,575
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	$ 464,789	$ 3,586,336	$ 143,473	$ 3,998,237	$ 58,244	$ 2,200,295
Accrued Payroll	153,692	111,725	24,364	43,407	209,055	216,360
Securities Lending Collateral	-	-	-	-	-	-
Interest Payable	-	-	-	-	-	-
Intergovernmental Payable	53,571	-	-	273,804	-	5,150
Tax Refunds Payable	-	-	-	-	-	1,075
Due to Other Funds	83,617	16,178	8,914	311,717	576,558	12,682,864
Contracts Payable	-	-	-	216,838	-	-
Deferred Revenue	67,373	-	-	-	1,344,924	-
Total Liabilities	823,042	3,714,239	176,751	4,844,003	2,188,781	15,105,744
Fund Balances:						
Reserved for:						
Inventory	-	-	46,812	-	123,177	-
Long - Term Receivables	2,829	-	8,750,332	3,944,984	-	10,544,173
Capital Projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	406,177	-	-
Legal Requirements	-	-	-	-	-	-
Unreserved:						
Designated for:						
Fund Activities	-	-	-	-	-	-
Patients Welfare	-	-	-	-	-	496,623
Unreserved, Reported in :						
Special Revenue Funds	7,141,212	3,492,538	9,198,151	25,864,756	17,380,535	60,731,035
Total Fund Balances	7,144,041	3,492,538	17,995,295	30,215,917	17,503,712	71,771,831
Total Liabilities and Fund Balances	$ 7,967,083	$ 7,206,777	$ 18,172,046	$ 35,059,920	$ 19,692,493	$ 86,877,575

(Continued On Next Page)

Special Revenue Funds						
Judicial and Legal	Land Department Coal and Mineral	Local Government	Oil Tax Resources	Other Special	PACE Fund	Permanent Oil Tax Trust
$ 9,376,111	$ 291,192	$ 38,519,587	$ 7,853,862	$ 1,768,249	$ 15,918,583	$ 890,761
102,284	-	109,826	-	23,564	-	-
3,972	-	-	-	1,220,341	-	-
-	35,483,709	-	-	371,851	-	-
512,170	-	26,434	2,587	100,761	-	-
21,375	214,383	36,887,016	219,583	54,203	-	-
2,237	197,631	-	57,132	134,950	-	-
-	-	2,184,635	-	139,116	-	-
290,942	135,417	-	1,948	149,604	-	-
-	-	-	-	-	1,323,222	-
-	-	-	-	387,796	-	-
-	36,388,504	-	5,345,255	-	-	-
$ 10,309,091	$ 72,710,836	$ 77,727,498	$ 13,480,367	$ 4,350,435	$ 17,241,805	$ 890,761
$ 744,312	$ 7,292	$ -	$ -	$ 164,160	$ -	$ -
141,635	-	-	-	115,475	-	-
-	12,897,870	-	-	-	-	-
-	-	-	-	3,117	-	-
-	-	31,010,806	-	-	-	-
-	-	68	-	-	-	-
190,499	349,692	-	-	25,037	-	-
-	-	-	-	-	-	-
172,965	-	8,007,916	-	100,548	-	-
1,249,411	13,254,854	39,018,790	-	408,337	-	-
-	-	-	-	387,796	-	-
-	33,798,958	-	5,043,886	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,323,222	-
-	-	-	-	-	9,318,192	-
3,995	-	-	-	-	6,600,391	-
-	-	-	-	-	-	-
9,055,685	25,657,024	38,708,708	8,436,481	3,554,302	-	890,761
9,059,680	59,455,982	38,708,708	13,480,367	3,942,098	17,241,805	890,761
$ 10,309,091	$ 72,710,836	$ 77,727,498	$ 13,480,367	$ 4,350,435	$ 17,241,805	$ 890,761

STATE OF NORTH DAKOTA

Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2004

	Special Revenue Funds					
	Public Safety and Corrections	Recreation	Regulatory	Transportation	Veterans	Total
ASSETS						
Cash Deposits at the Bank of ND	$ 3,241,901	$ 6,415,029	$ 5,994,681	$ 59,061,803	$ 1,238,881	$ 246,359,553
Cash and Cash Equivalents	11,781	161,948	170	104,545	274,899	3,577,615
Investments at the Bank of ND	-	18,364,600	-	-	-	42,327,485
Investments	-	-	11,333,991	-	4,352,725	52,933,276
Accounts Receivable - Net	940,872	35,031	160,391	383,647	256,318	21,088,265
Taxes Receivable - Net	-	-	-	6,384,565	-	44,342,961
Interest Receivable - Net	-	929	361	188,768	14,734	1,125,190
Intergovernmental Receivable - Net	90,494	-	-	146,854	-	4,670,525
Due from Other Funds	104,123	5,230,755	2,519,966	9,381,403	1,185	22,750,692
Prepaid Items	-	-	-	94,850	-	1,824,249
Inventory	-	70,257	123,787	3,679,367	-	4,431,196
Loans and Notes Receivable - Net	-	-	-	4,596,535	340,231	71,558,057
Total Assets	$ 4,389,171	$ 30,278,549	$ 20,133,347	$ 84,022,337	$ 6,478,973	$ 516,989,064
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	$ 221,669	$ 1,023,877	$ 25,040	$ 9,970,290	$ 78,378	$ 22,686,392
Accrued Payroll	74,459	766,667	281,695	4,560,780	44,462	6,743,776
Securities Lending Collateral	-	-	2,006,426	-	91,279	14,995,575
Interest Payable	-	-	-	-	-	3,117
Intergovernmental Payable	-	-	-	52,776	-	31,396,107
Tax Refunds Payable	-	-	-	341,692	-	342,835
Due to Other Funds	315,645	1,151,840	4,240,707	1,393,155	131,917	21,478,340
Contracts Payable	15,882	-	-	1,123,669	-	1,356,389
Deferred Revenue	298,074	-	48,494	49,402	2,060	10,091,756
Total Liabilities	925,729	2,942,384	6,602,362	17,491,764	348,096	109,094,287
Fund Balances:						
Reserved for:						
Inventory	-	70,257	123,787	3,679,367	-	4,431,196
Long - Term Receivables	-	-	-	3,840,911	292,739	66,218,812
Capital Projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	94,850	-	1,824,249
Legal Requirements	-	-	-	-	-	9,318,192
Unreserved:						
Designated for:						
Fund Activities	-	-	-	-	-	6,604,386
Patients Welfare	-	-	-	-	-	496,623
Unreserved, Reported in :						
Special Revenue Funds	3,463,442	27,265,908	13,407,198	58,915,445	5,838,138	319,001,319
Total Fund Balances	3,463,442	27,336,165	13,530,985	66,530,573	6,130,877	407,894,777
Total Liabilities and Fund Balances	$ 4,389,171	$ 30,278,549	$ 20,133,347	$ 84,022,337	$ 6,478,973	$ 516,989,064

Debt Service Funds				Capital Projects Funds			
Building Authority	Lignite Research	Water Commission	Total	Building Authority	Water Commission	Total	Total Nonmajor Governmental Funds
$ 615,000	$ 26	$ 3,340,704	$ 3,955,730	$ 9,915,000	$ -	$ 9,915,000	$ 260,230,283
-	-	2,014,521	2,014,521	-	572,931	572,931	6,165,067
9,886,000	882,500	-	10,768,500	-	-	-	53,095,985
-	-	-	-	-	-	-	52,933,276
-	-	-	-	-	-	-	21,088,265
-	-	-	-	-	-	-	44,342,961
-	-	89,569	89,569	-	18	18	1,214,777
-	-	30,912	30,912	-	701,102	701,102	5,402,539
20,000	6,637	-	26,637	-	-	-	22,777,329
-	-	-	-	-	-	-	1,824,249
-	-	-	-	-	-	-	4,431,196
-	-	-	-	-	-	-	71,558,057
$ 10,521,000	$ 889,163	$ 5,475,706	$ 16,885,869	$ 9,915,000	$ 1,274,051	$ 11,189,051	$ 545,063,984
$ -	$ -	$ -	$ -	$ -	$ 1,273,845	$ 1,273,845	$ 23,960,237
-	-	-	-	-	-	-	6,743,776
-	-	-	-	-	-	-	14,995,575
-	-	-	-	-	-	-	3,117
-	-	-	-	-	-	-	31,396,107
-	-	-	-	-	-	-	342,835
-	-	-	-	1,009,000	-	1,009,000	22,487,340
-	-	-	-	-	-	-	1,356,389
-	-	-	-	-	-	-	10,091,756
-	-	-	-	1,009,000	1,273,845	2,282,845	111,377,132
-	-	-	-	-	-	-	4,431,196
-	-	-	-	-	-	-	66,218,812
-	-	-	-	8,906,000	206	8,906,206	8,906,206
10,521,000	889,163	5,475,706	16,885,869	-	-	-	16,885,869
-	-	-	-	-	-	-	1,824,249
-	-	-	-	-	-	-	9,318,192
-	-	-	-	-	-	-	6,604,386
-	-	-	-	-	-	-	496,623
-	-	-	-	-	-	-	319,001,319
10,521,000	889,163	5,475,706	16,885,869	8,906,000	206	8,906,206	433,686,852
$ 10,521,000	$ 889,163	$ 5,475,706	$ 16,885,869	$ 9,915,000	$ 1,274,051	$ 11,189,051	$ 545,063,984

STATE OF NORTH DAKOTA

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2004

	Special Revenue Funds					
	Agriculture	Commodity Promotion	Commerce	Cultural and Natural Resources	Education	Health and Human Services
REVENUES						
Individual and Corporate Income Taxes	$ -	$ -	$ -	$ -	$ -	$ 13,614
Sales and Use Taxes	1,868,938	-	1,318	-	-	-
Oil, Gas, and Coal Taxes	-	-	-	622,437	2,747,020	-
Business Taxes	212,175	-	-	-	-	3,182,537
Licenses, Permits and Fees	3,799,828	-	34,472	1,383,705	-	1,388,974
Intergovernmental	-	-	306	143,734	68,775	76,715
Sales and Services	2,276,609	6,089	164,911	2,935,019	4,292,119	14,273,480
Royalties and Rents	-	-	-	-	192,474	165,503
Fines and Forfeits	4,000	251	-	26,111	4,988,374	-
Interest and Investment Income	12,047	32,308	368,532	397,782	-	1,514,041
Tobacco Settlement	-	-	-	10,342,465	-	2,298,326
Commodity Assessments	-	11,897,001	-	-	-	-
Miscellaneous	60,981	127,489	343,278	524,759	118,180	1,081,313
Total Revenues	8,234,578	12,063,138	912,817	16,376,012	12,406,942	23,994,503
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Education	-	-	-	-	39,141,335	-
Health and Human Services	173,319	-	-	-	-	31,484,955
Regulatory	-	-	-	61,807	-	-
Public Safety and Corrections	-	-	-	-	-	-
Agriculture and Commerce	6,490,640	12,020,270	2,249,482	1,604,651	-	-
Natural Resources	-	-	-	22,420,176	-	-
Transportation	-	-	-	-	-	-
Intergovernmental - Revenue Sharing	-	-	-	-	-	-
Capital Outlay	20,302	-	-	9,323,372	-	2,390,687
Debt Service:						
Principal	1,916	-	-	-	-	2,350
Interest and Other Charges	-	-	-	-	-	-
Total Expenditures	6,686,177	12,020,270	2,249,482	33,410,006	39,141,335	33,877,992
Revenues over (under) Expenditures	1,548,401	42,868	(1,336,665)	(17,033,994)	(26,734,393)	(9,883,489)
OTHER FINANCING SOURCES (USES)						
Bonds and Notes Issued	-	-	-	-	-	-
Sale of Capital Assets	35,000	-	-	-	-	-
Other	-	-	-	-	-	3,200
Transfers In	229,076	375,000	1,125,433	21,212,978	30,306,259	32,743,119
Transfers Out	(319,374)	(393,564)	(92,892)	(8,710,498)	(20,958)	(20,027,648)
Total Other Financing Sources (Uses)	(55,298)	(18,564)	1,032,541	12,502,480	30,285,301	12,718,671
Net Change in Fund Balances	1,493,103	24,304	(304,124)	(4,531,514)	3,550,908	2,835,182
Fund Balances - Beginning of Year, as Adjusted	5,650,938	3,468,234	18,299,419	34,747,431	13,952,804	68,936,649
Fund Balances - End of Year	$ 7,144,041	$ 3,492,538	$ 17,995,295	$ 30,215,917	$ 17,503,712	$ 71,771,831

(Continued On Next Page)

Special Revenue Funds							
Judicial and Legal	Land Department Coal and Mineral	Local Government	Oil Tax Resources	Other Special	PACE Fund	Permanent Oil Tax Trust
$ -	$ -	$ 6,515,426	$ -	$ 1,052,354	$ -	$ -
-	-	84,475,019	-	-	-	-
-	3,501,209	30,845,583	4,835,292	-	-	-
947,244	-	14,150,150	-	-	-	-
43,965	-	17,307,025	-	40,476	-	-
-	-	101,175	-	2,053	-	-
1,648,854	-	-	615,337	2,314,121	-	-
-	2,234,387	-	8,341	94,896	-	-
1,700,333	-	-	-	-	-	-
27,340	996,369	-	271,573	280,245	282,287	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
112,206	-	-	-	534,546	-	-
4,479,942	6,731,965	153,394,378	5,730,543	4,318,691	282,287	-
4,485,819	170,693	-	-	2,584,599	-	-
-	-	-	-	147,772	-	-
-	-	-	-	540,651	-	-
304,611	-	-	-	21,357	-	-
232,551	-	-	-	96,398	-	-
-	-	-	-	145,109	2,366,972	-
-	-	-	-	591,813	-	-
-	-	-	-	42,223	-	-
-	-	157,200,675	-	-	-	-
22,110	-	-	-	-	-	-
2,596	-	-	-	8,540	-	-
-	-	-	-	-	-	-
5,047,687	170,693	157,200,675	-	4,178,462	2,366,972	-
(567,745)	6,561,272	(3,806,297)	5,730,543	140,229	(2,084,685)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,069,719	550,344	-	136,015	7,125,000	-
(17,180)	(5,280,714)	-	(18,575,000)	(736,993)	(500,000)	(11,910,000)
(17,180)	(4,210,995)	550,344	(18,575,000)	(600,978)	6,625,000	(11,910,000)
(584,925)	2,350,277	(3,255,953)	(12,844,457)	(460,749)	4,540,315	(11,910,000)
9,644,605	57,105,705	41,964,661	26,324,824	4,402,847	12,701,490	12,800,761
$ 9,059,680	$ 59,455,982	$ 38,708,708	$ 13,480,367	$ 3,942,098	$ 17,241,805	$ 890,761

STATE OF NORTH DAKOTA

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds (Continued)
For the Fiscal Year Ended June 30, 2004

	Special Revenue Funds					
	Public Safety and Corrections	Recreation	Regulatory	Transportation	Veterans	Total
REVENUES						
Individual and Corporate Income Taxes	$ -	$ -	$ -	$ -	$ -	$ 7,581,394
Sales and Use Taxes	-	210,029	-	69,936,291	-	156,491,595
Oil, Gas, and Coal Taxes	-	-	50,000	-	-	42,601,541
Business Taxes	-	-	10,811	-	-	18,502,917
Licenses, Permits and Fees	110,000	12,157,953	4,365,827	48,007,205	23,280	88,662,710
Intergovernmental	61,557	-	8,776	774,341	133,450	1,370,882
Sales and Services	1,968,992	1,743,115	3,022,905	404,599	1,949,821	37,615,971
Royalties and Rents	174,798	42,310	-	85,056	436	2,998,201
Fines and Forfeits	-	1,800	335,867	-	-	7,056,736
Interest and Investment Income	-	2,668	989,783	381,689	423,582	5,980,246
Tobacco Settlement	-	-	-	-	-	12,640,791
Commodity Assessments	-	-	-	-	-	11,897,001
Miscellaneous	86,016	149,038	103,960	368,448	582,629	4,192,843
Total Revenues	2,401,363	14,306,913	8,887,929	119,957,629	3,113,198	397,592,828
EXPENDITURES						
Current:						
General Government	15,146	-	-	-	-	7,256,257
Education	-	-	-	-	-	39,289,107
Health and Human Services	-	-	-	28,732	2,366,302	34,593,959
Regulatory	-	-	4,857,787	184,355	-	5,429,917
Public Safety and Corrections	3,596,025	-	-	-	49,644	3,974,618
Agriculture and Commerce	-	-	-	-	-	24,877,124
Natural Resources	-	11,553,151	-	-	-	34,565,140
Transportation	-	-	-	96,589,103	-	96,631,326
Intergovernmental - Revenue Sharing	-	-	-	-	-	157,200,675
Capital Outlay	1,020,842	680,274	-	23,766,836	11,250	37,235,673
Debt Service:						
Principal	-	-	-	539,848	-	555,250
Interest and Other Charges	-	-	-	-	-	-
Total Expenditures	4,632,013	12,233,425	4,857,787	121,108,874	2,427,196	441,609,046
Revenues over (under) Expenditures	(2,230,650)	2,073,488	4,030,142	(1,151,245)	686,002	(44,016,218)
OTHER FINANCING SOURCES (USES)						
Bonds and Notes Issued	-	-	-	-	-	-
Sale of Capital Assets	3,496	14,750	-	509,695	4,700	567,641
Other	20	-	-	7,001	-	10,221
Transfers In	2,413,771	12,500	636,653	-	153,493	98,089,360
Transfers Out	(24,567)	(25,687)	(1,873,010)	(503,485)	(156,002)	(69,167,572)
Total Other Financing Sources (Uses)	2,392,720	1,563	(1,236,357)	13,211	2,191	29,499,650
Net Change in Fund Balances	162,070	2,075,051	2,793,785	(1,138,034)	688,193	(14,516,568)
Fund Balances - Beginning of Year, as Adjusted	3,301,372	25,261,114	10,737,200	67,668,607	5,442,684	422,411,345
Fund Balances - End of Year	$ 3,463,442	$ 27,336,165	$ 13,530,985	$ 66,530,573	$ 6,130,877	$ 407,894,777

Debt Service Funds				Capital Projects Funds			
Building Authority	Lignite Research	Water Commission	Total	Building Authority	Water Commission	Total	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,581,394
-	-	-	-	-	-	-	156,491,595
-	-	-	-	-	-	-	42,601,541
-	-	-	-	-	-	-	18,502,917
-	-	-	-	-	-	-	88,662,710
-	-	-	-	-	-	-	1,370,882
-	-	1,837,361	1,837,361	-	-	-	39,453,332
-	-	-	-	-	-	-	2,998,201
-	-	-	-	-	-	-	7,056,736
238,000	28,213	231,358	497,571	201,000	245	201,245	6,679,062
-	-	-	-	-	-	-	12,640,791
-	-	-	-	-	-	-	11,897,001
-	-	-	-	-	-	-	4,192,843
238,000	28,213	2,068,719	2,334,932	201,000	245	201,245	400,129,005
-	-	-	-	-	-	-	7,256,257
-	-	-	-	-	-	-	39,289,107
-	-	-	-	-	-	-	34,593,959
-	-	-	-	-	-	-	5,429,917
-	-	-	-	-	-	-	3,974,618
-	-	-	-	-	-	-	24,877,124
-	-	-	-	-	-	-	34,565,140
-	-	-	-	-	-	-	96,631,326
-	-	-	-	-	-	-	157,200,675
-	-	-	-	-	1,502,450	1,502,450	38,738,123
5,540,000	895,000	1,311,210	7,746,210	-	-	-	8,301,460
4,381,000	162,585	2,418,640	6,962,225	-	-	-	6,962,225
9,921,000	1,057,585	3,729,850	14,708,435	-	1,502,450	1,502,450	457,819,931
(9,683,000)	(1,029,372)	(1,661,131)	(12,373,503)	201,000	(1,502,205)	(1,301,205)	(57,690,926)
-	-	-	-	-	1,500,243	1,500,243	1,500,243
-	-	-	-	-	-	-	567,641
-	-	-	-	-	-	-	10,221
9,009,000	1,029,205	1,850,971	11,889,176	-	-	-	109,978,536
-	-	-	-	(7,396,000)	(20)	(7,396,020)	(76,563,592)
9,009,000	1,029,205	1,850,971	11,889,176	(7,396,000)	1,500,223	(5,895,777)	35,493,049
(674,000)	(167)	189,840	(484,327)	(7,195,000)	(1,982)	(7,196,982)	(22,197,877)
11,195,000	889,330	5,285,866	17,370,196	16,101,000	2,188	16,103,188	455,884,729
$ 10,521,000	$ 889,163	$ 5,475,706	$ 16,885,869	$ 8,906,000	$ 206	$ 8,906,206	$ 433,686,852

Nonmajor Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent of the State is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the State has decided that periodic determination of net income is appropriate for accountability purposes.

BEGINNING FARMER REVOLVING LOAN

973 - Beginning Farmer Revolving Loan Fund
Fund used to make loans to North Dakota beginning farmers for the purchase of agricultural real estate. (NDCC 6-09)

BONDING

210 (924) - State Bonding Fund
Fund used to maintain the bonding of public employees and officials of the state, county, city or other unit of local government. (NDCC 26-1.01)

COMMUNITY WATER FACILITY LOAN

974 - Community Water Facility Loan Fund
Accounts for supplementary financing in conjunction with federal moneys available to improve adequate water supplies. (NDCC 6-09.5)

DEVELOPMENTALLY DISABLED FACILITY LOAN

971 - Developmentally Disabled Facility Loan Fund
Accounts for loans to nonprofit corporations for costs related to facilities for developmentally disabled, chronically mentally ill, and physically disabled persons. (NDCC 6-09.6)

FIRE AND TORNADO

211 (923) - State Fire and Tornado Fund
Accounts for state agencies and political subdivisions to insure against loss to the public buildings, fixtures and permanent contents therein, through fire, lightning, windstorm, etc. (NDCC 26.1-22)

GUARANTEED STUDENT LOAN

969 - North Dakota Guaranteed Student Loan
Accounts for the revenues and expenses associated with the administration, development and operation of the guaranteed loan program. (NDCC 15-62.1)

MILL AND ELEVATOR

970 - North Dakota Mill and Elevator
Accounts for the financial resources of the ND Mill and Elevator Association. (NDCC 54-18)

PERS UNIFORM GROUP INSURANCE

980 - Public Employees Retirement System Group Insurance
Accounts for the administrative revenues and expenses associated with this insurance purchasing pool. (NDCC 54-52)

ROUGHRIDER INDUSTRIES

926 - Roughrider Industries
Accounts for the revenues and expenses associated with the operation, manufacture and sale of products made by the prison inmates. (NDCC 12-48)

STATE FAIR

601 (977) - State Fair
Accounts for revenues and expenditures associated with the operation of the State Fair. (NDCC 4-02.1)

STATE LOTTERY FUND

966 (292/296) –State Lottery Fund
Accounts for operations of the North Dakota lottery. (NDCC 53-12)

STUDENT LOAN

975 - North Dakota Student Loan Trust
Accounts for loans to students in post secondary education. The trust acquires eligible loans guaranteed or insured by the United States government or the North Dakota Guaranteed Student Loan Program. (NDCC 6-09)

UNEMPLOYMENT COMPENSATION FUND

967 – Job Service-Expendable Trust Fund
Accounts for State unemployment taxes collected from employers for the purpose of paying unemployment benefits. (NDCC 52-09)

STATE OF NORTH DAKOTA

Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2004

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado
ASSETS					
Current Assets:					
Cash Deposits at the Bank of ND	$ 9,554,808	$ 372,169	$ 2,225,602	$ 177,414	$ 2,076,009
Cash and Cash Equivalents	-	-	-	-	-
Investments at the Bank of ND	-	-	-	-	-
Investments	-	4,136,735	-	-	21,486,671
Accounts Receivable - Net	-	60,846	-	-	38,319
Interest Receivable - Net	258,475	26,656	153,879	11,714	112,595
Intergovernmental Receivable - Net	-	-	-	-	-
Due from Other Funds	-	-	-	-	41,017
Due from Fiduciary Funds	-	-	-	-	-
Prepaid Items	829,807	-	-	-	-
Inventory	-	-	-	-	-
Loans and Notes Receivable - Net	1,799,093	-	421,220	430,878	-
Restricted Cash at the Bank of ND	-	-	-	-	-
Restricted Investments at the Bank of ND	-	-	-	-	-
Restricted Interest Receivable - Net	-	-	-	-	-
Restricted Loans Receivable - Net	-	-	-	-	-
Total Current Assets	12,442,183	4,596,406	2,800,701	620,006	23,754,611
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	-	-	-	-	-
Restricted Investments	-	-	-	-	-
Loans and Notes Receivable - Net	6,677,355	-	15,263,085	2,798,549	-
Restricted Loans Receivable - Net	-	-	-	-	-
Unamortized Bond Issuance Costs	-	-	-	-	-
Other Noncurrent Assets	1,450,274	-	-	-	-
Capital Assets:					
Land and Construction in Progress	-	-	-	-	-
Infrastructure - Net	-	-	-	-	-
Buildings and Equipment -Net	-	-	-	-	-
Total Noncurrent Assets	8,127,629	-	15,263,085	2,798,549	-
Total Assets	20,569,812	4,596,406	18,063,786	3,418,555	23,754,611
LIABILITIES					
Current Liabilities:					
Accounts Payable	-	2,475	-	-	32,626
Accrued Payroll	-	1,117	-	-	22,889
Securities Lending Collateral	-	756,101	-	-	3,918,203
Interest Payable	-	-	-	-	-
Intergovernmental Payable	-	-	-	-	-
Due to Other Funds	11,447	1,972	20,730	3,418,555	16,051
Due to Fiduciary Funds	-	-	-	-	-
Amounts Held in Custody for Others	-	-	-	-	-
Claims/Judgments Payable	-	196,552	-	-	361,854
Compensated Absences Payable	-	1,619	-	-	1,678
Capital Leases Payable	-	-	-	-	-
Bonds Payable	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-
Total Current Liabilities	11,447	959,836	20,730	3,418,555	4,353,301
Noncurrent Liabilities:					
Intergovernmental Payable	-	-	-	-	-
Claims/Judgments Payable	-	142,173	-	-	-
Compensated Absences Payable	-	-	-	-	34,795
Capital Leases Payable	-	-	-	-	-
Bonds Payable	-	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-	-
Total Noncurrent Liabilities	-	142,173	-	-	34,795
Total Liabilities	11,447	1,102,009	20,730	3,418,555	4,388,096
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	-	-	-	-
Restricted for:					
Capital Projects	-	-	-	-	-
Debt Service	-	-	-	-	-
Loan Purposes	-	-	-	-	-
Unemployment Compensation	-	-	-	-	-
Unrestricted	20,558,365	3,494,397	18,043,056	-	19,366,515
Total Net Assets	$ 20,558,365	$ 3,494,397	$ 18,043,056	$ -	$ 19,366,515

Guaranteed Student Loan	Mill and Elevator	PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
$ 4,848,078	$ 30,928	$ 544,522	$ 877,526	$ 1,277,177	$ 2,213,319	$ 5,612,000	$ 3,611	$ 29,813,163
-	-	3,267,756	700	127,177	-	-	54,817,990	58,213,623
2,154,348	-	-	-	-	-	1,049,000	-	3,203,348
-	-	-	-	-	1,000	-	-	25,624,406
77,012	17,786,263	34,800	251,453	48,038	147,257	-	18,791,920	37,235,908
780	-	-	-	-	-	1,492,000	728,255	2,784,354
1,933,104	-	-	-	-	-	713,000	204,734	2,850,838
-	-	2,951	54,124	-	1,332	78,000	-	177,424
-	-	9,933	-	-	-	-	-	9,933
-	452,336	-	9,886	43,077	3,494	80,000	-	1,418,600
-	11,653,240	-	817,616	-	-	-	-	12,470,856
-	234,513	-	-	-	-	10,332,000	-	13,217,704
2,496,901	-	-	-	-	-	3,523,000	-	6,019,901
3,237,150	-	-	-	-	-	33,785,000	-	37,022,150
1,868	-	-	-	-	-	2,994,000	-	2,995,868
-	-	-	-	-	-	26,234,000	-	26,234,000
14,749,241	30,157,280	3,859,962	2,011,305	1,495,469	2,366,402	85,892,000	74,546,510	259,292,076
-	-	-	-	257,343	-	-	-	257,343
-	-	-	-	222,263	-	-	-	222,263
-	469,025	-	-	-	-	29,665,000	-	54,873,014
-	-	-	-	-	-	86,374,000	-	86,374,000
-	-	-	-	27,236	-	937,000	-	964,236
-	101,018	-	-	-	78,259	-	-	1,629,551
-	408,741	-	-	390,816	-	-	-	799,557
-	211,017	-	-	1,043,015	-	-	-	1,254,032
765,896	29,206,523	-	458,448	11,804,559	-	-	-	42,235,426
765,896	30,396,324	-	458,448	13,745,232	78,259	116,976,000	-	188,609,422
15,515,137	60,553,604	3,859,962	2,469,753	15,240,701	2,444,661	202,868,000	74,546,510	447,901,498
218,011	3,345,440	35,327	79,858	24,973	598,844	36,000	479,953	4,853,507
-	309,072	43,357	112,893	-	28,985	-	-	518,313
-	-	-	-	-	-	-	-	4,674,304
-	-	-	-	27,876	-	354,000	-	381,876
579,884	-	-	-	-	-	-	847,204	1,427,088
803,046	8,000,000	9,186	12,842	-	1,572,323	27,452,000	434,272	41,752,424
-	-	26,605	-	-	-	-	-	26,605
-	-	833,087	-	-	-	-	-	833,087
-	-	-	-	-	-	-	-	558,406
-	33,736	2,448	4,168	25,000	24,156	-	-	92,805
-	-	-	29,384	-	-	-	-	29,384
-	-	-	-	205,000	-	-	-	205,000
120,000	-	247,214	-	-	69,888	-	-	437,102
-	-	-	-	-	7,000	-	-	7,000
1,720,941	11,688,248	1,197,224	239,145	282,849	2,301,196	27,842,000	1,761,429	55,796,901
3,263,195	-	-	-	-	-	3,419,000	-	6,682,195
-	-	-	-	-	-	-	-	142,173
-	579,653	50,767	100,027	19,423	48,024	-	-	832,689
-	-	-	52,089	-	-	-	-	52,089
-	-	-	-	1,718,507	-	125,388,000	-	127,106,507
3,354,780	-	-	-	-	-	-	-	3,354,780
6,617,975	579,653	50,767	152,116	1,737,930	48,024	128,807,000	-	138,170,433
8,338,916	12,267,901	1,247,991	391,261	2,020,779	2,349,220	156,649,000	1,761,429	193,967,334
765,896	29,832,266	-	375,548	11,314,883	-	-	-	42,288,593
-	-	-	-	6,586	-	-	-	6,586
-	-	-	-	473,020	-	23,609,000	-	24,082,020
1,076,944	-	-	-	-	-	-	-	1,076,944
-	-	-	-	-	-	-	72,785,081	72,785,081
5,333,381	18,453,437	2,611,971	1,702,944	1,425,433	95,441	22,610,000	-	113,694,940
$ 7,176,221	$ 48,285,703	$ 2,611,971	$ 2,078,492	$ 13,219,922	$ 95,441	$ 46,219,000	$ 72,785,081	$ 253,934,164

STATE OF NORTH DAKOTA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2004

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado
OPERATING REVENUES					
Sales and Services	$ -	$ 44,571	$ -	$ -	$ 4,878,073
Royalties and Rents	-	-	-	-	-
Interest and Investment Income	483,476	-	451,267	285,960	-
Miscellaneous	-	-	-	-	-
Total Operating Revenues	483,476	44,571	451,267	285,960	4,878,073
OPERATING EXPENSES					
Cost of Sales and Services	-	-	-	-	-
Salaries and Benefits	-	13,071	-	-	320,979
Operating	797,288	11,745	85,920	28,682	1,896,293
Claims	-	253,414	-	-	134,696
Interest	-	-	-	208,329	-
Depreciation	-	-	-	-	-
Miscellaneous	5,111	-	-	-	-
Total Operating Expenses	802,399	278,230	85,920	237,011	2,351,968
Operating Income (Loss)	(318,923)	(233,659)	365,347	48,949	2,526,105
NONOPERATING REVENUES (EXPENSES)					
Grants and Contracts	-	-	-	-	-
Interest and Investment Income	44,247	403,171	10,282	1,109	1,905,911
Interest Expense	-	(16,694)	-	-	(76,827)
Gain (Loss) on Sale of Capital Assets	-	-	-	-	-
Other	-	-	-	336,000	-
Total Nonoperating Revenues (Expenses)	44,247	386,477	10,282	337,109	1,829,084
Income (Loss) Before Contributions and Transfers	(274,676)	152,818	375,629	386,058	4,355,189
Transfers In	1,700,000	-	-	-	87,950
Transfer Out	-	(1,500,000)	-	(2,216,989)	-
Change in Net Assets	1,425,324	(1,347,182)	375,629	(1,830,931)	4,443,139
Total Net Assets - Beginning of Year	19,133,041	4,841,579	17,667,427	1,830,931	14,923,376
Total Net Assets - End of Year	$ 20,558,365	$ 3,494,397	$ 18,043,056	$ -	$ 19,366,515

Guaranteed Student Loan	Mill and Elevator	PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
$ 3,309,612	$ 97,899,163	$ 815,289	$ 3,459,375	$ 3,201,041	$ 6,036,566	$ -	$ 64,644,433	$ 184,288,123
-	-	-	11,970	-	-	-	-	11,970
-	-	-	-	-	-	12,113,000	-	13,333,703
980	-	-	25,126	-	-	-	-	26,106
3,310,592	97,899,163	815,289	3,496,471	3,201,041	6,036,566	12,113,000	64,644,433	197,659,902
-	87,326,379	-	1,954,819	-	-	-	-	89,281,198
-	1,441,882	472,892	1,169,904	813,745	314,037	-	-	4,546,510
3,902,985	703,699	240,477	152,819	2,526,316	4,059,191	6,015,000	-	20,420,415
-	-	-	-	-	-	-	49,327,620	49,715,730
-	-	-	-	-	-	2,141,000	-	2,349,329
661,839	2,171,896	-	50,901	881,037	-	-	-	3,765,673
-	-	-	-	-	-	-	-	5,111
4,564,824	91,643,856	713,369	3,328,443	4,221,098	4,373,228	8,156,000	49,327,620	170,083,966
(1,254,232)	6,255,307	101,920	168,028	(1,020,057)	1,663,338	3,957,000	15,316,813	27,575,936
-	-	-	-	303,681	-	-	-	303,681
57,848	17,902	69,229	-	6,860	2,614	347,000	3,046,308	5,912,481
-	(223,861)	-	(6,005)	(75,305)	-	-	-	(398,692)
-	15,116	-	-	(20,144)	-	-	-	(5,028)
-	(404,762)	-	-	(12,089)	-	-	-	(80,851)
57,848	(595,605)	69,229	(6,005)	203,003	2,614	347,000	3,046,308	5,731,591
(1,196,384)	5,659,702	171,149	162,023	(817,054)	1,665,952	4,304,000	18,363,121	33,307,527
4,100,000	-	-	-	395,875	-	-	-	6,283,825
-	(52,012)	-	-	-	(1,570,511)	(30,359,000)	-	(35,698,512)
2,903,616	5,607,690	171,149	162,023	(421,179)	95,441	(26,055,000)	18,363,121	3,892,840
4,272,605	42,678,013	2,440,822	1,916,469	13,641,101	-	72,274,000	54,421,960	250,041,324
$ 7,176,221	$ 48,285,703	$ 2,611,971	$ 2,078,492	$ 13,219,922	$ 95,441	$ 46,219,000	$ 72,785,081	$ 253,934,164

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2004

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
Cash Flows from Operating Activities:						
Receipts from Customers and Users	$ 3,371	$ 32,134	$ -	$ -	$ 4,905,772	$ 1,664,854
Interest Income on Loans	500,580	-	-	-	-	-
Receipts from Loan Principal Repayments	2,613,817	-	-	-	-	13,183,649
Receipts from Other Funds	-	89	-	-	-	-
Receipts from Others	109,500	-	-	-	-	-
Payments for Loan Funds	(1,994,342)	-	-	-	-	(11,398,292)
Payments to Suppliers	(1,099,378)	(287,025)	(85,595)	(32,448)	(3,117,989)	(3,351,420)
Payments to Employees	-	(13,413)	-	-	(324,136)	-
Claim Payments	-	-	-	-	-	-
Payments to Others	(15,923)	-	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	117,625	(268,215)	(85,595)	(32,448)	1,463,647	98,791
Cash Flows from Noncapital Financing Activities:						
Proceeds from Sale of Notes and Other Borrowings	-	-	-	-	-	-
Principal Payments - Bonds	-	-	-	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	(208,329)	-	-
Transfers In	1,700,000	-	-	-	87,950	4,100,000
Transfers Out	-	(1,500,000)	-	(2,216,989)	-	-
Principal Payments on Due To Other Funds	-	-	-	(859,664)	-	-
Disbursements for Loans and Loan Purchases	-	-	-	-	-	-
Grants Received	-	-	-	-	-	-
Other	-	-	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	1,700,000	(1,500,000)	-	(3,284,982)	87,950	4,100,000
Cash Flows from Capital and Related Financing Activities:						
Acquisition and Construction of Capital Assets	-	-	-	-	-	(19,164)
Proceeds from Sale of Capital Assets	-	-	-	-	-	-
Principal Payments - Bonds	-	-	-	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	-	-	-
Payment on Capital Leases	-	-	-	-	-	-
Net Cash Used for Capital and Related Financing Activities	-	-	-	-	-	(19,164)
Cash Flows from Investing Activities:						
Proceeds from Sale and Maturities of Investment Securities	-	1,276,587	-	-	-	15,347,983
Purchase of Investment Securities	-	-	-	-	(2,685,555)	(15,043,752)
Interest and Dividends on Investments	44,247	324,187	10,282	1,109	1,527,464	323,680
Disbursements for Loans and Loan Purchases	-	-	(1,175,000)	-	-	-
Receipt of Loan Principal Repayments	-	-	906,273	1,085,659	-	-
Proceeds from Collection of Loans and Notes Receivable	-	-	-	1,964,660	-	-
Loan Income Received	-	-	461,209	297,260	-	-
Net Cash Provided by (Used for) Investing Activities	44,247	1,600,774	202,764	3,348,688	(1,158,091)	627,911
Net Change in Cash:						
Net Increase (Decrease) in Cash and Cash Equivalents	1,861,872	(167,441)	117,169	31,258	393,506	4,807,538
Cash and Cash Equivalents at June 30, 2003	7,692,936	539,610	2,108,433	146,156	1,682,503	2,537,441
Cash and Cash Equivalents at June 30, 2004	$ 9,554,808	$ 372,169	$ 2,225,602	$ 177,414	$ 2,076,009	$ 7,344,979
Reconciliation:						
Current:						
Cash Deposits at the Bank of North Dakota	$ 9,554,808	$ 372,169	$ 2,225,602	$ 177,414	$ 2,076,009	$ 4,848,078
Cash and Cash Equivalents	-	-	-	-	-	-
Restricted Cash Deposits at the Bank of North Dakota	-	-	-	-	-	2,496,901
Noncurrent:						
Restricted Cash and Cash Equivalents	-	-	-	-	-	-
Cash and Cash Equivalents	$ 9,554,808	$ 372,169	$ 2,225,602	$ 177,414	$ 2,076,009	$ 7,344,979

(Continued on Next Page)

Mill and Elevator	PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
$ 118,939,330	$ 127,456,122	$ 3,765,553	$ 3,288,083	$ 4,901,337	$ 47,248,000	$ 57,872,460	$ 370,077,016
-	-	-	-	-	-	-	500,580
-	-	-	-	-	-	-	15,797,466
-	-	-	-	-	-	-	89
-	-	-	-	-	-	58,200	167,700
-	-	-	-	-	-	-	(13,392,634)
(106,087,875)	(126,523,606)	(2,201,491)	(2,544,411)	(2,398,307)	(65,624,000)	(6,191,172)	(319,544,717)
(7,232,904)	(465,340)	(1,156,456)	(824,226)	(212,302)	-	-	(10,228,777)
-	-	-	-	-	-	(38,782,122)	(38,782,122)
-	-	-	-	(78,259)	-	-	(94,182)
5,618,551	467,176	407,606	(80,554)	2,212,469	(18,376,000)	12,957,366	4,500,419
11,800,000	-	-	-	-	-	-	11,800,000
-	-	-	-	-	(1,000,000)	-	(1,000,000)
(13,300,000)	-	-	-	-	-	-	(13,300,000)
-	-	-	-	-	(1,750,000)	-	(1,750,000)
(223,460)	-	-	-	-	-	-	(431,789)
-	-	-	395,875	-	-	-	6,283,825
(52,012)	-	-	-	-	(4,100,000)	-	(7,869,001)
-	-	-	-	-	-	-	(859,664)
(703,538)	-	-	-	-	-	-	(703,538)
-	-	-	303,681	-	-	-	303,681
(404,762)	-	-	-	-	-	-	(404,762)
(2,883,772)	-	-	699,556	-	(6,850,000)	-	(7,931,248)
(1,094,471)	-	(60,767)	(316,320)	-	-	-	(1,490,722)
17,115	-	-	-	-	-	-	17,115
-	-	-	(210,000)	-	-	-	(210,000)
(2,139,245)	-	-	-	-	-	-	(2,139,245)
-	-	-	(83,597)	-	-	-	(83,597)
(401)	-	(6,005)	-	-	-	-	(6,406)
-	-	(36,791)	-	-	-	-	(36,791)
(3,217,002)	-	(103,563)	(609,917)	-	-	-	(3,949,646)
-	-	-	443,616	-	85,386,000	-	102,454,186
-	-	-	(441,496)	-	(88,010,000)	-	(106,180,803)
17,902	69,229	-	6,860	850	475,000	2,880,835	5,681,645
-	-	-	-	-	-	-	(1,175,000)
-	-	-	-	-	-	-	1,991,932
-	-	-	-	-	-	-	1,964,660
-	-	-	-	-	-	-	758,469
17,902	69,229	-	8,980	850	(2,149,000)	2,880,835	5,495,089
(464,321)	536,405	304,043	18,065	2,213,319	(27,375,000)	15,838,201	(1,885,386)
495,249	3,275,873	574,183	1,643,632	-	36,510,000	38,983,400	96,189,416
$ 30,928	$ 3,812,278	$ 878,226	$ 1,661,697	$ 2,213,319	$ 9,135,000	$ 54,821,601	$ 94,304,030
$ 30,928	$ 544,522	$ 877,526	$ 1,277,177	$ 2,213,319	$ 5,612,000	$ 3,611	$ 29,813,163
-	3,267,756	700	127,177	-	-	54,817,990	58,213,623
-	-	-	-	-	3,523,000	-	6,019,901
-	-	-	257,343	-	-	-	257,343
$ 30,928	$ 3,812,278	$ 878,226	$ 1,661,697	$ 2,213,319	$ 9,135,000	$ 54,821,601	$ 94,304,030

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows
Nonmajor Enterprise Funds (Continued)
For the Fiscal Year Ended June 30, 2004

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Develop-mentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:						
Operating Income (Loss)	$ (318,923)	$ (233,659)	$ 365,347	$ 48,949	$ 2,526,105	$ (1,254,232)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	-	-	-	-	-	661,839
Amortization\Accretion	-	-	-	-	-	-
Reclassification of Interest Revenue\Expense	-	-	(451,267)	(77,631)	-	-
Interest Received on Program Loans	-	-	-	-	-	-
Disbursements for Loans and Loan Purchases	-	-	-	-	-	-
Receipt of Loan Principal Repayments	-	-	-	-	-	-
Provision for Losses	-	-	-	-	-	546,000
Premiums Collected	-	-	-	-	-	-
Premiums Paid	-	-	-	-	-	-
Other	-	-	-	-	-	32,000
Change in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	-	(12,437)	-	-	27,699	(15,486)
Decrease in Interest Receivable	56,046	3,661	-	-	17,950	-
(Increase) Decrease in Due From	-	89	-	-	(40,141)	-
Decrease in Due From Fiduciary Funds	-	-	-	-	-	-
(Increase) Decrease in Intergovernmental Receivable	-	-	-	-	-	842,975
Decrease in Notes Receivable	619,475	-	-	-	-	-
Increase in Prepaid Items	(311,831)	-	-	-	-	-
(Increase) Decrease in inventories	-	-	-	-	-	-
Decrease in Other Assets	73,929	-	-	-	-	-
Increase (Decrease) in Accounts Payable	-	(175)	-	-	21,924	(615,297)
Decrease in Claims\Judgments Payable	-	(27,278)	-	-	(1,089,106)	-
Increase (Decrease) in Intergovernmental Payable	-	-	-	-	-	(279,881)
Increase (Decrease) in Accrued Payroll	-	-	-	-	(4,410)	-
Increase (Decrease) in Compensated Absences Payable	-	(342)	-	-	1,253	-
Increase in Amounts Held for Others	-	-	-	-	-	-
Increase (Decrease) in Due To	(1,071)	1,926	325	(3,766)	2,373	29,207
Increase in Deferred Revenue	-	-	-	-	-	151,666
Increase (Decrease) in Other Liabilities	-	-	-	-	-	-
Total Adjustments	436,548	(34,556)	(450,942)	(81,397)	(1,062,458)	1,353,023
Net Cash Provided by (Used for) Operating Activities	$ 117,625	$ (268,215)	$ (85,595)	$ (32,448)	$ 1,463,647	$ 98,791
Noncash Transactions:						
Net Increase in Fair Value of investments	$ -	$ 62,290	$ -	$ -	$ 301,620	$ -
Change in Securities Lending Collateral	-	128,391	-	-	1,921,555	-
Amortization of Bond Discount	-	-	-	-	-	-
Amortization of Bond Issuance Costs	-	-	-	-	-	-
Total Noncash Transactions	$ -	$ 190,681	$ -	$ -	$ 2,223,175	$ -

Mill and Elevator	PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
$ 6,255,307	$ 101,920	$ 168,028	$ (1,020,057)	$ 1,663,338	$ 3,957,000	$ 15,316,813	$ 27,575,936
2,171,896	-	50,901	881,037	-	-	-	3,765,673
-	-	-	-	-	492,000	-	492,000
-	-	-	-	-	(10,362,000)	-	(10,890,898)
-	-	-	-	-	9,377,000	-	9,377,000
-	-	-	-	-	(60,224,000)	-	(60,224,000)
-	-	-	-	-	37,871,000	-	37,871,000
-	-	-	-	-	13,000	-	559,000
-	126,339,150	-	-	-	-	-	126,339,150
-	(126,339,150)	-	-	-	-	-	(126,339,150)
-	-	-	-	(1,000)	-	-	31,000
(2,591,527)	87,016	317,703	87,042	(146,746)	-	(1,781,828)	(4,028,564)
-	-	-	-	-	-	-	77,657
-	-	(50,030)	-	(1,332)	-	-	(91,414)
-	22,419	-	-	-	-	-	22,419
-	(1,313)	-	-	-	-	132,556	974,218
-	-	-	-	-	-	-	619,475
(7,257)	-	(100)	(2,305)	(3,494)	-	-	(324,987)
(1,976,836)	-	32,279	-	-	-	-	(1,944,557)
-	-	-	-	(78,259)	-	-	(4,330)
1,338,728	19,433	(129,655)	(15,790)	600,097	-	9,000	1,228,265
-	-	-	-	-	-	-	(1,116,384)
-	-	-	-	-	139,000	(448,263)	(589,144)
35,729	4,581	10,664	-	28,985	-	-	75,549
10,841	2,971	2,784	(10,481)	72,180	-	-	79,206
-	46,398	-	-	-	-	-	46,398
-	31,588	6,867	-	1,812	361,000	(270,912)	159,349
-	152,163	-	-	69,888	-	-	373,717
381,670	-	(1,835)	-	7,000	-	-	386,835
(636,756)	365,256	239,578	939,503	549,131	(22,333,000)	(2,359,447)	(23,075,517)
$ 5,618,551	$ 467,176	$ 407,606	$ (80,554)	$ 2,212,469	$ (18,376,000)	$ 12,957,366	$ 4,500,419
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 363,910
-	-	-	-	-	-	-	2,049,946
-	-	-	8,754	-	-	-	8,754
-	-	-	3,335	-	-	-	3,335
$ -	$ -	$ -	$ 12,089	$ -	$ -	$ -	$ 2,425,945

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the State and to other government units, on a cost reimbursement basis.

790 (927) - Central Services
Accounts for the revenues and expenditures associated with central printing and office supply services to state agencies and the Legislative Assembly; a surplus property program for the acquisition, distribution, and disposition of federal and state surplus property and procurement services for all state agencies not exempt by statute. (NDCC 54-44)

700 (918) - Fleet Services
Accounts for costs of operating and maintaining State-owned vehicles. Costs are billed to user agencies and include depreciation on equipment. (NDCC 24-02)

780 (929) - Information Technology Department
Accounts used for the procurement and maintenance of data processing equipment and supplies and telecommunications equipment and supplies to provide data processing and telecommunications services to state departments and agencies. (NDCC 54-59)

288 (912) - Risk Management Fund
This fund provides insurance coverage and loss prevention to all state agencies and the University System for tort liability and employee injury claims. Coverage is provided using an optional combination of self-insurance and private excess insurance. (NDCC 32-12.2)

207 (936) - Retirement and Investment Office
Accounts for the administrative operations provided to the State Investment Board and Teachers Fund For Retirement for the boards investing activities. (NDCC 15-39)

STATE OF NORTH DAKOTA

Combining Statement of Net Assets
Internal Service Funds
June 30, 2004

	Central Services	Fleet Services	Information Technology Department	Retirement and Investment Board	Risk Management	Total
ASSETS						
Current Assets:						
Cash Deposits at the Bank of ND	$ 476,894	$ 3,221,359	$ 3,534,124	$ 132,738	$ 839,103	$ 8,204,218
Cash and Cash Equivalents	3,750	-	-	-	-	3,750
Investments	-	-	-	-	6,546,123	6,546,123
Accounts Receivable - Net	17,259	2,652	38,584	2,086	-	60,581
Interest Receivable - Net	-	-	-	-	52,978	52,978
Intergovernmental Receivable - Net	43,771	489	150,299	-	3,000	197,559
Due from Other Funds	129,275	1,287,901	2,593,879	28	73,061	4,084,144
Due from Fiduciary Funds	-	-	-	142,183	-	142,183
Prepaid Items	3,199	-	-	-	-	3,199
Inventory	110,991	-	-	-	-	110,991
Restricted Cash at the Bank of ND	-	-	1,648,029	-	-	1,648,029
Total Current Assets	785,139	4,512,401	7,964,915	277,035	7,514,265	21,053,755
Noncurrent Assets:						
Unamortized Bond Issuance Costs	-	-	66,495	-	-	66,495
Capital Assets:						
Land and Construction in Progress	-	-	3,595,766	-	-	3,595,766
Buildings and Equipment -Net	105,630	48,318,911	4,367,121	423,388	176,942	53,391,992
Total Noncurrent Assets	105,630	48,318,911	8,029,382	423,388	176,942	57,054,253
Total Assets	890,769	52,831,312	15,994,297	700,423	7,691,207	78,108,008
LIABILITIES						
Current Liabilities:						
Accounts Payable	29,585	360,716	234,763	224,168	193,131	1,042,363
Accrued Payroll	64,134	81,225	1,028,561	-	23,236	1,197,156
Securities Lending Collateral	-	-	-	-	1,179,107	1,179,107
Interest Payable	3,672	-	-	-	3,387	7,059
Intergovernmental Payable	600	-	-	-	-	600
Due to Other Funds	6,687	2,204,917	6,963	11,803	17,935	2,248,305
Due to Fiduciary Funds	-	-	-	2,453	-	2,453
Claims/Judgments Payable	-	-	-	-	2,420,299	2,420,299
Compensated Absences Payable	3,361	3,219	44,949	1,560	-	53,089
Notes Payable	-	-	289,673	-	-	289,673
Capital Leases Payable	19,951	-	-	3,395	1,365	24,711
Deferred Revenue	-	-	-	-	196,152	196,152
Total Current Liabilities	127,990	2,650,077	1,604,909	243,379	4,034,612	8,660,967
Noncurrent Liabilities:						
Claims/Judgments Payable	-	-	-	-	2,638,658	2,638,658
Compensated Absences Payable	63,862	61,038	976,612	73,553	20,328	1,195,393
Notes Payable	-	-	143,729	-	-	143,729
Capital Leases Payable	41,661	-	-	9,550	3,166	54,377
Bonds Payable	-	-	5,961,076	-	-	5,961,076
Total Noncurrent Liabilities	105,523	61,038	7,081,417	83,103	2,662,152	9,993,233
Total Liabilities	233,513	2,711,115	8,686,326	326,482	6,696,764	18,654,200
NET ASSETS						
Invested in Capital Assets, Net of Related	105,630	48,318,911	7,529,486	410,443	172,411	56,536,881
Unrestricted	551,626	1,801,286	(221,515)	(36,502)	822,032	2,916,927
Total Net Assets	$ 657,256	$ 50,120,197	$ 7,307,971	$ 373,941	$ 994,443	$ 59,453,808

STATE OF NORTH DAKOTA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2004

	Central Services	Fleet Services	Information Technology Department	Retirement and Investment Board	Risk Management	Total
OPERATING REVENUES						
Sales and Services	$ 2,156,868	$ 18,537,207	$ 30,576,795	$ 1,877,249	$ 6,111,332	$ 59,259,451
Miscellaneous	-	66,737	-	18,875	3,091	88,703
Total Operating Revenues	2,156,868	18,603,944	30,576,795	1,896,124	6,114,423	59,348,154
OPERATING EXPENSES						
Cost of Sales and Services	965,818	-	-	-	-	965,818
Salaries and Benefits	782,829	1,056,266	11,670,647	860,257	235,598	14,605,597
Operating	430,778	8,267,292	15,742,178	631,881	2,446,856	27,518,985
Claims	-	-	-	-	2,916,715	2,916,715
Depreciation	18,312	6,020,893	2,044,874	4,616	19,613	8,108,308
Total Operating Expenses	2,197,737	15,344,451	29,457,699	1,496,754	5,618,782	54,115,423
Operating Income (Loss)	(40,869)	3,259,493	1,119,096	399,370	495,641	5,232,731
NONOPERATING REVENUES (EXPENSES)						
Interest and Investment Income	-	-	2,549	581	336,679	339,809
Interest Expense	(38,756)	-	(189,298)	(1,416)	(19,669)	(249,139)
Loss on Sale of Capital Assets	(5,820)	(504,567)	(195,122)	-	-	(705,509)
Other	207	-	(4,350)	-	-	(4,143)
Total Nonoperating Revenues (Expenses)	(44,369)	(504,567)	(386,221)	(835)	317,010	(618,982)
Income (Loss) Before Contributions and Transfers	(85,238)	2,754,926	732,875	398,535	812,651	4,613,749
Transfers In	-	-	791,917	-	-	791,917
Transfer Out	-	-	(355,753)	-	-	(355,753)
Change in Net Assets	(85,238)	2,754,926	1,169,039	398,535	812,651	5,049,913
Total Net Assets - Beginning of Year, as Adjusted	742,494	47,365,271	6,138,932	(24,594)	181,792	54,403,895
Total Net Assets - End of Year	$ 657,256	$ 50,120,197	$ 7,307,971	$ 373,941	$ 994,443	$ 59,453,808

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2004

	Central Services	Fleet Services	Information Technology	Retirement and Investment Office	Risk Management	Total
Cash Flows from Operating Activities:						
Receipts from Customers and Users	$ 2,203,634	$ 18,603,096	$ 30,814,286	$ 1,871,229	$ 5,606,468	$ 59,098,713
Receipts from Federal and Local Agencies	-	10	-	-	-	10
Receipts from Other Funds	-	1,445,663	-	-	-	1,445,663
Receipts from Others	-	-	-	-	2,472	2,472
Payments to Suppliers	(1,393,883)	(8,241,365)	(15,650,335)	(1,459,091)	(712,066)	(27,456,740)
Payments to Employees	(778,012)	(1,047,639)	(11,594,892)	-	(223,547)	(13,644,090)
Claim Payments	-	-	-	-	(2,489,185)	(2,489,185)
Payments to Others	-	-	-	-	(1,316,534)	(1,316,534)
Net Cash Provided by Operating Activities	31,739	10,759,765	3,569,059	412,138	867,608	15,640,309
Cash Flows from Noncapital Financing Activities:						
Interest Payments - Notes and Other Borrowings	(34,683)	-	-	-	-	(34,683)
Transfers In	-	-	791,917	-	-	791,917
Principal Payments On Advances from Other Funds	-	-	(355,753)	-	-	(355,753)
Other	207	-	-	-	-	207
Net Cash Provided By (Used for) Noncapital Financing Activities	(34,476)	-	436,164	-	-	401,688
Cash Flows from Capital and Related Financing Activities:						
Acquisition and Construction of Capital Assets	(11,374)	(9,803,774)	(5,542,634)	(410,000)	(66,740)	(15,834,522)
Proceeds from Sale of Capital Assets	-	1,484,623	32,000	-	-	1,516,623
Proceeds from Bonds	-	-	5,961,076	-	-	5,961,076
Proceeds from Sale of Notes and Other Borrowings	-	-	433,402	-	-	433,402
Principal Payments - Notes and Other Borrowings	-	-	(1,607,092)	-	-	(1,607,092)
Interest Payments - Notes and Other Borrowings	-	-	(384,453)	-	-	(384,453)
Payment on Capital Leases	(7,592)	-	-	(3,061)	(1,280)	(11,933)
Interest Payments - Capital Leases	(4,045)	-	-	-	(496)	(4,541)
Net Cash Used for Capital and Related Financing Activities	(23,011)	(8,319,151)	(1,107,701)	(413,061)	(68,516)	(9,931,440)
Cash Flows from Investing Activities:						
Purchase of Investment Securities	-	-	-	-	(3,436,975)	(3,436,975)
Interest and Dividends on Investments	-	-	-	572	370,248	370,820
Net Cash Provided by (Used for) Investing Activities	-	-	-	572	(3,066,727)	(3,066,155)
Net Change in Cash:						
Net increase (Decrease) in Cash and Cash Equivalents	(25,748)	2,440,614	2,897,522	(351)	(2,267,635)	3,044,402
Cash and Cash Equivalents at June 30, 2003	506,392	780,745	2,284,631	133,089	3,106,738	6,811,595
Cash and Cash Equivalents at June 30, 2004	$ 480,644	$ 3,221,359	$ 5,182,153	$ 132,738	$ 839,103	$ 9,855,997
Reconciliation:						
Cash Deposits at the Bank of North Dakota	$ 476,894	$ 3,221,359	$ 3,534,124	$ 132,738	$ 839,103	$ 8,204,218
Cash and Cash Equivalents	3,750	-	-	-	-	3,750
Restricted Cash Deposits at the Bank of North Dakota	-	-	1,648,029	-	-	1,648,029
Cash and Cash Equivalents and Cash Deposits at the Bank of North Dakota	$ 480,644	$ 3,221,359	$ 5,182,153	$ 132,738	$ 839,103	$ 9,855,997
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:						
Operating Income (Loss)	$ (40,869)	$ 3,259,493	$ 1,119,096	$ 399,370	$ 495,641	$ 5,232,731
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	18,312	6,020,893	2,044,874	4,616	19,613	8,108,308
Other	(28)	-	-	-	1,348	1,320
Change in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	20,087	(848)	21,559	3	-	40,801
Increase In Interest Receivable	-	-	-	-	(4,134)	(4,134)
(Increase) Decrease in Due From	26,029	445,663	261,399	(88,196)	(38,082)	606,813
(Increase) Decrease in Intergovernmental Receivable	650	10	(45,466)	-	-	(44,806)
Decrease in Prepaid Items	8,099	-	-	-	-	8,099
Decrease in Inventories	6,075	-	-	-	-	6,075
Increase (Decrease) in Accounts Payable	(16,886)	(84,147)	90,629	86,193	109,369	185,158
Increase In Interest Payable	3,672	-	-	-	2,422	6,094
Increase in Claims\Judgments Payable	-	-	-	-	729,939	729,939
Increase In Intergovernmental Payable	600	-	-	-	-	600
Increase in Accrued Payroll	361	6,212	43,225	-	4,680	54,478
Increase in Compensated Absences Payable	4,456	2,415	32,530	8,400	7,371	55,172
Increase in Due To	1,181	1,110,074	1,213	1,752	6,478	1,120,698
Decrease In Deferred Revenue	-	-	-	-	(467,037)	(467,037)
Total Adjustments	72,608	7,500,272	2,449,963	12,768	371,967	10,407,578
Net Cash Provided by Operating Activities	$ 31,739	$ 10,759,765	$ 3,569,059	$ 412,138	$ 867,608	$ 15,640,309
Noncash Transactions:						
Acquisition of Equipment Under Capital Lease	$ 69,204	$ -	$ -	$ 16,006	$ 5,811	$ 91,021
Net Decrease in Fair Value of investments	-	-	-	-	(54,091)	(54,091)
Change in Securities Lending Collateral	-	-	-	-	911,104	911,104
Total Noncash Transactions	$ 69,204	$ -	$ -	$ 16,006	$ 862,824	$ 948,034

Fiduciary Funds

Fiduciary funds account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental organizations.

Pension and Other Employee-Related Benefit Trust Funds

DEFERRED COMPENSATION

981 - Deferred Compensation Fund
Accounts for the activity of the deferred compensation plan adopted under the provisions of Internal Revenue Service Code, Section 457, for State employees. (NDCC 54-52.2)

PERS FLEXCOMP

932 - Flex Program
Accounts for pre-tax premium conversions, a medical spending account and a dependent care spending account according to Section 125 of the Internal Revenue Code. (NDCC 54-52.3)

HIGHWAY PATROLMEN'S RETIREMENT

982 - Highway Patrolmen's Retirement Fund
A single employer defined benefit pension plan covering officers of the State Highway Patrol. (NDCC 39-03.1)

JOB SERVICE RETIREMENT

920 - Job Service Retirement Fund
A single employer defined benefit pension plan for Job Service employees. Participation in this plan is limited to employees participating in the program as of September 30, 1980. (NDCC 52-11)

PREFUNDED RETIREE HEALTH PROGRAM

933 - Prefunded Retiree Health Program
Members receiving retirement benefits from NDPERS receive a credit toward their monthly health insurance premium under the state health plan. (NDCC 54-52.1)

PUBLIC EMPLOYEES' RETIREMENT

470 (983) - Public Employees Retirement System
Accounts for the financial resources associated with the Public Employees Retirement System. (NDCC 54-52)

DEFINED CONTRIBUTION RETIREMENT

930 – Defined Contribution Retirement Plan
Accounts for the financial resources of the Defined Contribution Retirement Plan. Participation in this plan is limited to state employees who are in positions not classified by the Central Personnel Division and who are not employees of the judicial branch or board of higher education. (NDCC 54-52)

TEACHERS' RETIREMENT

964 - North Dakota Teachers' Fund For Retirement
Accounts for the financial resources of the Teachers' Retirement Fund. (NDCC 15-39.1)

Investment Trust Funds

911 - ND Association of Counties RIO Investments
Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the North Dakota Association of Counties. (NDCC 21-10)

913 - City of Bismarck RIO Investments
Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Bismarck. (NDCC 21-10)

950 – City of Fargo RIO Investments
Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Fargo. (NDCC 21-10)

Private Purpose Trust Funds

STUDENT DONATIONS

937 - Department of Public Instruction Thordarson Scholarship Trust Fund
Fund used to provide scholarship grants to students enrolled in courses offered by the independent study division. (NDCC 15-19)

988 - School for the Deaf Scholarship Trust Fund
Account for funds donated to provide scholarships to deaf students. (NDCC 25-01.1)

989 - School for the Deaf Student Trust Funds
Accounts for funds donated to the School for the Deaf for the benefit of the students. (NDCC 25-01.1)

COLLEGE SAVE

940 – College SAVE
Program established by the State of North Dakota to encourage the investment of funds to be used for

qualified higher education expenses at institutions of higher education. (NDCC 6-09-38)

Agency Funds

BONDING

402 - Sales and Use Tax Deposit Fund
Accounts for cash received in lieu of a surety bond for sales tax permit holders. (NDCC 57-39.2)

403 - Motor Fuel Cash Bond Deposit Fund
Accounts for cash received in lieu of a surety bond for motor vehicle fuel dealers. (NDCC 57-43.1)

404 – Provider Assessment Trust Fund
Accounts for bonds or securities in lieu of surety bonds for transacting business as an intermediate care facility. (NDCC 57-63)

939 - Public Service Commission Trustee Account
Accounts for savings certificates posted in lieu of performance bonds for surface mining activities and grain elevator insolvency cases. (NDCC 60-02)

942 - Agriculture Cash and Investment
Accounts for securities or bonds in lieu of a surety bond relating to the operation of livestock dealers, auction markets and dairy plants. (NDCC 36-05)

944 - Cash Bonds
Accounts for the financial resources for the plugging of abandoned oil and gas wells and the reclamation of abandoned oil and gas well sites. (NDCC 38-08)

945 - Insurance Company Deposits
Accounts for securities of domestic insurance companies required by the NDCC to keep on deposit with the Insurance Commissioner securities in a value equal to the policies they have in force. (NDCC 26.1-05)

947 – District Court Bond Fund
Accounts for bail bonds posted for civil and criminal court cases. (NDCC 27-05.2)

PAYROLL

461 - OMB Unemployment/Payroll Clearing Fund
Accounts for employers and employees payroll taxes and other deductions such as, insurance and credit union deductions, etc. (NDCC 54-44)

CHILD SUPPORT

463 – Child Support Disbursement Unit Fund
Accounts for all child support payments received by the state disbursement unit. (NDCC 14-09)

STUDENT AND OTHER

406 - Drivers License Trust Fund
Accounts for cash received from a motor vehicle operator involved in an accident and has no automobile liability policy and the driver was negligent. (NDCC 39-16)

946 – District Court Collection Fund
Accounts for collections for third parties. (NDCC 27-05.2)

986 - Developmental Center Residents' Funds
Accounts for funds belonging to patients of the State Developmental Center. (NDCC 25-01.1)

990 - Veteran's Home-Custodial
Accounts for resident's personal funds. (NDCC 37-15)

991 - State Hospital Patients
Accounts for patient's personal funds. (NDCC 25-01.1)

992 - Prisoner Accounts
Accounts for prisoner's personal fund. (NDCC 12-48)

993 - Youth Correctional Center Student Accounts
Account for the student's personal funds. (NDCC 12-46)

994 - School for the Deaf Students
Account for the students personal funds. (NDCC 25-01.1)

TAX COLLECTION

434 - City Lodging Tax Suspense
Accounts for city lodging tax collected by the State Tax Commissioner. (NDCC 40-57.3)

435 - City Sales Tax Suspense
Accounts for city sales and use taxes collected by the State Tax Commission. (NDCC 57-01)

438 - City Restaurant and Lodge Tax Suspense
A city tax, at a rate not to exceed one percent, upon the gross receipts of retailers on the leasing or renting of hotel, motel, or tourist court accommodations within the city and gross receipts of a restaurant from any sales of prepared food or beverages, not including alcoholic beverages for consumption off the premises where purchased is collected by the State Tax Commissioner. Proceeds, net of a 3% administrative fee which is deposited into the general fund, are remitted quarterly to each city collecting the tax. (NDCC 40-57.3)

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Net Assets
Pension, Investment and Private-Purpose Trust Funds
June 30, 2004

	Pension and Other Employee Benefit Trust Funds					
	Deferred Compensation	Defined Contribution Retirement	Highway Patrolmen's Retirement	Job Service Retirement	PERS Flexcomp	Prefunded Retiree Health Program
ASSETS						
Cash Deposits at the Bank of ND	$ -	$ -	$ -	$ 66,379	$ 656,484	$ 118,083
Cash and Cash Equivalents	-	-	-	-	-	-
Receivables:						
Contributions Receivable	-	81,872	-	14,702	-	354,054
Accounts Receivable-Net	2	-	-	-	441,610	-
Interest Receivable - Net	-	-	89,039	206,303	-	223,498
Due from Other Funds	-	-	-	-	-	-
Due from Fiduciary Funds	-	-	-	-	-	-
Total Receivables	2	81,872	89,039	221,005	441,610	577,552
Investments, at Fair Value:						
Investments at the Bank of ND	-	-	397,866	457,838	-	-
Equity Pool	-	-	24,002,928	29,984,234	-	19,412,080
Fixed Income	-	-	-	-	-	10,219,583
Fixed Income Pool	-	-	13,327,509	42,592,555	-	-
Cash and Cash Pool	-	-	617,994	61,307	-	-
Real Estate Pool	-	-	1,991,717	-	-	-
Private Equity	-	-	1,907,176	-	-	-
Annuties	155,016	-	-	-	-	-
Mutual Funds	14,133,807	11,370,506	-	-	-	-
Total Investments	14,288,823	11,370,506	42,245,190	73,095,934	-	29,631,663
Invested Securities Lending Collateral	-	-	3,212,203	10,066,607	-	-
Capital Assets (Net of Depreciation)	-	-	-	-	-	-
Other Assets	-	-	-	37,575	-	-
Total Assets	14,288,825	11,452,378	45,546,432	83,487,500	1,098,094	30,327,298
LIABILITIES						
Accounts Payable	1,935	-	-	40,645	2,849	12,409
Accrued Payroll	10,731	-	-	-	8,382	-
Securities Lending Collateral	-	-	3,212,203	10,066,607	-	-
Due to Other Funds	6,059	16	-	4,280	6,520	4,658
Due to Fiduciary Funds	-	-	24,978	9,634	-	80,364
Deferred Revenue	-	-	-	-	-	-
Compensated Absences Payable	9,991	-	-	-	8,980	-
Capital Leases Payable	-	-	-	-	-	-
	28,716	16	3,237,181	10,121,166	26,731	97,431
NET ASSETS						
Net Assets Held in Trust for:						
Pension Benefits	14,260,109	11,452,362	42,309,251	73,366,334	-	30,229,867
Other Employee Benefits	-	-	-	-	1,071,363	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
	$ 14,260,109	$ 11,452,362	$ 42,309,251	$ 73,366,334	$ 1,071,363	$ 30,229,867

Pension and Other Employee Benefit Trust Funds			Investment Trust Funds				Private-Purpose Trust Funds		
Public Employees Retirement	Teachers Retirement	Total	City of Bismarck	ND Association Of Counties	City of Fargo	Total	Student Donations	College SAVE	Total
$ 1,680,160	$ 8,378,563	$ 10,899,669	$ 32,926	$ 30,906	$ 57,986	$ 121,818	$ 107,056	$ -	$ 107,056
-	-	-	-	-	-	-	5,532	338,234	343,766
3,046,421	6,354,683	9,851,732	-	-	-	-	-	-	-
4,743	-	446,355	-	-	-	-	-	1,388,311	1,388,311
2,657,234	6,145,079	9,321,153	84,951	1,039	4,076	90,066	-	-	-
38,673	-	38,673	-	-	-	-	12	-	12
114,976	-	114,976	-	-	-	-	-	-	-
5,862,047	12,499,762	19,772,889	84,951	1,039	4,076	90,066	12	1,388,311	1,388,323
11,873,574	7,791,272	20,520,550	368,051	-	-	368,051	18,602	-	18,602
716,323,202	900,981,977	1,690,704,421	20,497,035	319,568	2,985,881	23,802,484	-	-	-
-	-	10,219,583	-	-	-	-	34,804	-	34,804
397,734,972	237,709,605	691,364,641	16,572,007	281,462	2,819,757	19,673,226	-	-	-
18,442,890	39,971,282	59,093,473	288,847	-	-	288,847	-	-	-
59,439,122	108,794,052	170,224,891	1,432,146	-	-	1,432,146	-	-	-
56,916,169	60,138,622	118,961,967	575,441	-	-	575,441	-	-	-
-	-	155,016	-	-	-	-	-	-	-
-	-	25,504,313	-	-	-	-	-	168,422,559	168,422,559
1,260,729,929	1,355,386,810	2,786,748,855	39,733,527	601,030	5,805,638	46,140,195	53,406	168,422,559	168,475,965
95,862,291	69,506,360	178,647,461	4,056,188	118,007	1,061,481	5,235,676	-	-	-
23,656	-	23,656	-	-	-	-	-	-	-
-	-	37,575	-	-	-	-	-	-	-
1,364,158,083	1,445,771,495	2,996,130,105	43,907,592	750,982	6,929,181	51,587,755	166,006	170,149,104	170,315,110
1,165,081	1,451,525	2,674,444	28,617	949	3,943	33,509	-	1,339,606	1,339,606
47,147	-	66,260	-	-	-	-	-	-	-
95,862,291	69,506,360	178,647,461	4,056,188	118,007	1,061,481	5,235,676	-	-	-
22,664	133,933	178,130	-	-	-	-	-	-	-
-	-	114,976	-	-	-	-	-	-	-
35,547	-	35,547				-	-	-	-
56,318	-	75,289	-	-	-	-	-	-	-
6,752	-	6,752	-	-	-	-	-	-	-
97,195,800	71,091,818	181,798,859	4,084,805	118,956	1,065,424	5,269,185	-	1,339,606	1,339,606
1,266,962,283	1,374,679,677	2,813,259,883	-	-	-	-	-	-	-
-	-	1,071,363	-	-	-	-	-	-	-
-	-	-	39,822,787	632,026	5,863,757	46,318,570	-	-	-
-	-	-	-	-	-	-	166,006	168,809,498	168,975,504
$ 1,266,962,283	$ 1,374,679,677	$ 2,814,331,246	$ 39,822,787	$ 632,026	$ 5,863,757	$ 46,318,570	$ 166,006	$ 168,809,498	$ 168,975,504

STATE OF NORTH DAKOTA

Combining Statement of Changes in Fiduciary Net Assets
Pension, Investment and Private-Purpose Trust Funds
For the Fiscal Year Ended June 30, 2004

	Pension and Other Employee Benefit Trust Funds					
	Deferred Compensation	Defined Contribution Retirement	Highway Patrolmen's Retirement	Job Service Retirement	PERS Flexcomp	Prefunded Retiree Health Program
ADDITIONS						
Contributions:						
Employer	$ -	$ 498,224	$ 844,241	$ -	$ -	$ 4,854,949
Employee	2,337,963	483,713	520,700	192,129	4,872,068	4,597
From Participants	-	-	-	-	-	-
Transfers from Other Funds	198,144	29,130	-	-	-	-
Transfers from Other Plans	50,776	17,587	-	-	-	-
Donations	-	-	-	-	-	-
Total Contributions	2,586,883	1,028,654	1,364,941	192,129	4,872,068	4,859,546
Investment Income:						
Net Increase in Fair Value of Investments	1,825,695	1,221,931	5,120,739	6,677,438	-	3,227,544
Interest and Dividends	-	247,443	1,121,219	1,783,723	4,891	690,015
Less Investment Expense	97,215	8,604	132,347	161,600	-	53,887
Net Investment Income	1,728,480	1,460,770	6,109,611	8,299,561	4,891	3,863,672
Securities Lending Activity:						
Securities Lending Income	-	-	30,514	84,777	-	-
Less Securities Lending Expense	-	-	23,382	69,944	-	-
Net Securities Lending Income	-	-	7,132	14,833	-	-
Repurchase Service Credit	-	-	-	25,272	-	210,547
Miscellaneous Income	-	6,199	74	-	447,236	-
Total Additions	4,315,363	2,495,623	7,481,758	8,531,795	5,324,195	8,933,765
DEDUCTIONS						
Benefits Paid to Participants	720,822	175,195	2,188,234	2,601,393	4,895,410	11,900
Refunds	-	-	34,411	-	-	698
Prefunded Credit Applied	-	-	-	-	-	4,063,395
Transfers to Other Plans	-	-	-	-	227,274	-
Payments in Accordance with Trust Agreements	-	-	-	-	-	-
Administrative Expenses	207,940	35,344	16,562	25,709	143,069	81,269
Total Deductions	928,762	210,539	2,239,207	2,627,102	5,265,753	4,157,262
Purchase of Units at Net Asset Value of $1.00 Per Unit	-	-	-	-	-	-
Change in Net Assets Held in Trust for:						
Pension Benefits	3,386,601	2,285,084	5,242,551	5,904,693	-	4,776,503
Other Employee Benefits	-	-	-	-	58,442	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Net Assets--Beginning of Year	10,873,508	9,167,278	37,066,700	67,461,641	1,012,921	25,453,364
Net Assets--End of Year	$ 14,260,109	$ 11,452,362	$ 42,309,251	$ 73,366,334	$ 1,071,363	$ 30,229,867

Pension and Other Employee Benefit Trust Funds			Investment Trust Funds				Private-Purpose Trust Funds		
Public Employees' Retirement	Teachers' Retirement	Total	City of Bismarck	ND Association Of Counties	City of Fargo	Total	Student Donations	College SAVE	Total
$ 19,732,842	$ 29,635,584	$ 55,565,840	$ -	$ -	$ -	$ -	$ -	$ -	$ -
18,754,814	34,019,426	61,185,410	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	93,638,019	93,638,019
-	-	227,274	-	-	-	-	-	-	-
3,789,350	-	3,857,713	-	-	-	-	-	-	-
-	-	-	-	-	-	-	22,212	-	22,212
42,277,006	63,655,010	120,836,237	-	-	-	-	22,212	93,638,019	93,660,231
151,168,790	188,732,952	357,975,089	4,231,705	53,366	419,447	4,704,518	-	20,317,129	20,317,129
33,162,864	36,083,380	73,093,535	1,045,932	17,578	149,299	1,212,809	1,396	2,123,634	2,125,030
3,911,556	4,827,788	9,192,997	114,781	3,621	13,802	132,204	-	-	-
180,420,098	219,988,544	421,875,627	5,162,856	67,323	554,944	5,785,123	1,396	22,440,763	22,442,159
903,492	754,559	1,773,342	36,106	958	7,690	44,754	-	-	-
692,329	499,972	1,285,627	29,360	771	6,357	36,488	-	-	-
211,163	254,587	487,715	6,746	187	1,333	8,266	-	-	-
3,397,231	-	3,633,050	-	-	-	-	-	-	-
6,299	-	459,808	-	-	-	-	-	-	-
226,311,797	283,898,141	547,292,437	5,169,602	67,510	556,277	5,793,389	23,608	116,078,782	116,102,390
47,515,319	77,153,054	135,261,327	-	-	-	-	-	-	-
3,659,450	5,800,100	9,494,659	-	-	-	-	-	-	-
-	-	4,063,395	-	-	-	-	-	-	-
17,587	-	244,861	-	-	-	-	-	-	-
-	-	-	-	-	-	-	13,155	32,621,004	32,634,159
995,879	1,513,788	3,019,560	-	-	-	-	-	-	-
52,188,235	84,466,942	152,083,802	-	-	-	-	13,155	32,621,004	32,634,159
-	-	-	-	-	1,000,000	1,000,000	-	-	-
174,123,562	199,431,199	395,150,193	-	-	-	-	-	-	-
-	-	58,442	-	-	-	-	-	-	-
-	-	-	5,169,602	67,510	1,556,277	6,793,389	-	-	-
-	-	-	-	-	-	-	10,453	83,457,778	83,468,231
1,092,838,721	1,175,248,478	2,419,122,611	34,653,185	564,516	4,307,480	39,525,181	155,553	85,351,720	85,507,273
$ 1,266,962,283	$ 1,374,679,677	$ 2,814,331,246	$ 39,822,787	$ 632,026	$ 5,863,757	$ 46,318,570	$ 166,006	$ 168,809,498	$ 168,975,504

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

	Bonding	Payroll	Child Support	Student and Other	Tax Collection	Total
ASSETS						
Cash Deposits at the Bank of ND	$ 999,743	$ 548,636	$ 1,171,784	$ 465,796	$ 6,942,469	$ 10,128,428
Cash and Cash Equivalents	1,531,751	-	288,355	280,522	114,286	2,214,914
Investments at the Bank of ND	8,019,758	-	-	50,000	-	8,069,758
Investments	2,390,270	-	-	18,523	-	2,408,793
Accounts Receivable-Net	-	5,602,278	370	-	-	5,602,648
Interest Receivable-Net	-	-	-	175	-	175
Taxes Receivable-Net	-	-	-	-	10,113,907	10,113,907
Due from Other Funds	-	175	-	-	-	175
Other Assets	-	-	-	38,841	-	38,841
Total Assets	$ 12,941,522	$ 6,151,089	$ 1,460,509	$ 853,857	$ 17,170,662	$ 38,577,639
LIABILITIES						
Intergovernmental Payable	$ -	$ 5,650,542	$ -	$ -	$ 17,170,662	$ 22,821,204
Amounts Held in Custody for Others	12,941,522	500,547	1,460,509	853,857	-	15,756,435
Total Liabilities	$ 12,941,522	$ 6,151,089	$ 1,460,509	$ 853,857	$ 17,170,662	$ 38,577,639

(Continued on Next Page)

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2004

	June 30 2003	Additions	Deductions	June 30 2004
Bonding				
ASSETS				
Cash Deposits at the Bank of ND	$ 856,833	$ 223,153	$ 80,243	$ 999,743
Cash and Cash Equivalents	1,377,024	4,628,457	4,473,730	1,531,751
Investments at the Bank of ND	8,165,847	230,736	376,825	8,019,758
Investments	2,390,270	-	-	2,390,270
Accounts Receivable - Net	-	57,400	57,400	-
Total Assets	$ 12,789,974	$ 5,139,746	$ 4,988,198	$ 12,941,522
LIABILITIES				
Amounts Held in Custody for Others	$ 12,789,974	$ 5,081,096	$ 4,929,548	$ 12,941,522
Total Liabilities	$ 12,789,974	$ 5,081,096	$ 4,929,548	$ 12,941,522
Payroll				
ASSETS				
Cash Deposits at the Bank of ND	$ 501,162	$ 83,658,475	$ 83,611,001	$ 548,636
Accounts Receivable - Net	5,936,813	93,352,744	93,687,279	5,602,278
Due from Other Funds	-	175	-	175
Total Assets	$ 6,437,975	$ 177,011,394	$ 177,298,280	$ 6,151,089
LIABILITIES				
Intergovernmental Payable	$ 5,874,787	$ 67,832,173	$ 68,056,418	$ 5,650,542
Amounts Held in Custody for Others	563,188	82,699,356	82,761,997	500,547
Total Liabilities	$ 6,437,975	$ 150,531,529	$ 150,818,415	$ 6,151,089
Child Support				
ASSETS				
Cash Deposits at the Bank of ND	$ 961,987	$ 95,138,033	$ 94,928,236	$ 1,171,784
Cash and Cash Equivalents	672,904	-	384,549	288,355
Accounts Receivable - Net	21,718	94,528,718	94,550,066	370
Due from Other Funds	-	48,016	48,016	-
Total Assets	$ 1,656,609	$ 189,714,767	$ 189,910,867	$ 1,460,509
LIABILITIES				
Due to Other Funds	$ -	$ 6,574,318	$ 6,574,318	$ -
Amounts Held in Custody for Others	1,656,609	181,535,742	181,731,842	1,460,509
Total Liabilities	$ 1,656,609	$ 188,110,060	$ 188,306,160	$ 1,460,509

STATE OF NORTH DAKOTA

Combining Statement Of Changes In Assets And Liabilities
Agency Funds (Continued)
For The Fiscal Year Ended June 30, 2004

	June 30 2003	Additions	Deductions	June 30 2004
Student and Other				
ASSETS				
Cash Deposits at the Bank of ND	$ 381,183	$ 1,532,854	$ 1,448,241	$ 465,796
Cash and Cash Equivalents	218,151	2,335,605	2,273,234	280,522
Investments at the Bank of ND	50,000	-	-	50,000
Investments	18,339	184	-	18,523
Accounts Receivable - Net	-	7,400	7,400	-
Interest Receivable - Net	224	-	49	175
Due from Other Funds	132	-	132	-
Other Assets	114,742	685,531	761,432	38,841
Total Assets	$ 782,771	$ 4,561,574	$ 4,490,488	$ 853,857
LIABILITIES				
Amounts Held in Custody for Others	$ 782,771	$ 4,305,812	$ 4,234,726	$ 853,857
Total Liabilities	$ 782,771	$ 4,305,812	$ 4,234,726	$ 853,857
Tax Collection				
ASSETS				
Cash Deposits at the Bank of ND	$ 7,652,170	$ 72,673,885	$ 73,383,586	$ 6,942,469
Cash and Cash Equivalents	5,182	110,606	1,502	114,286
Taxes Receivable - Net	8,004,204	74,783,588	72,673,885	10,113,907
Total Assets	$ 15,661,556	$ 147,568,079	$ 146,058,973	$ 17,170,662
LIABILITIES				
Intergovernmental Payable	$ 15,661,556	$ 142,754,082	$ 141,244,976	$ 17,170,662
Total Liabilities	$ 15,661,556	$ 142,754,082	$ 141,244,976	$ 17,170,662
Total -All Agency Funds				
ASSETS				
Cash Deposits at the Bank of ND	$ 10,353,335	$ 253,226,400	$ 253,451,307	$ 10,128,428
Cash and Cash Equivalents	2,273,261	7,074,668	7,133,015	2,214,914
Investments at the Bank of ND	8,215,847	230,736	376,825	8,069,758
Investments	2,408,609	184	-	2,408,793
Accounts Receivable - Net	5,958,531	187,946,262	188,302,145	5,602,648
Taxes Receivable - Net	8,004,204	74,783,588	72,673,885	10,113,907
Interest Receivable - Net	224	-	49	175
Due from Other Funds	132	48,191	48,148	175
Other Assets	114,742	685,531	761,432	38,841
Total Assets	$ 37,328,885	$ 523,995,560	$ 522,746,806	$ 38,577,639
LIABILITIES				
Intergovernmental Payable	$ 21,536,343	$ 210,586,255	$ 209,301,394	$ 22,821,204
Due to Other Funds	-	6,574,318	6,574,318	-
Amounts Held in Custody for Others	15,792,542	273,622,006	273,658,113	15,756,435
Total Liabilities	$ 37,328,885	$ 490,782,579	$ 489,533,825	$ 38,577,639

Nonmajor Component Units

The Component Units are organizations which are legally separate from the State of North Dakota for which the State is financially accountable, or for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

Dickinson State University Foundation, Inc.
Organized in 1952 as a nonprofit corporation to benefit present and future students by providing scholarship assistance and the funding of special projects not available through other funding sources.

Lake Region Community College Foundation
Established in 1959 to provide a permanent, nonprofit structure through which support for Lake Region State College could be channeled.

Mayville State University Foundation
Established to act primarily as a fund-raising organization to supplement the resources that are available to Mayville State University (MaSU). The Comet Athletic Club, a legally separate nonprofit organization, operates as an entity within the Foundation. The Club's purpose is to promote, support, and encourage interest and participation in MaSU sports.

Minot State University-Bottineau Development Foundation and Logrollers
The Foundation and Logrollers are separate legal entities that were established to act primarily as fund-raising organizations to supplement the resources that are available to MiSU-B.

North Dakota State College of Science Development Foundation
A nonprofit organization established to act primarily as a fund-raising organization to supplement the resources that are available to NDSCS.

Valley City State University Foundation
Established to support Valley City State University by involving alumni and friends of the university in activities and private giving that meet the university's needs and advance its welfare.

Williston State College Foundation
A nonprofit organization established to act primarily as a fund-raising organization to supplement the resources that are available to WSC.

STATE OF NORTH DAKOTA

Combining Statement of Net Assets
Nonmajor Component Units-Proprietary Funds
June 30, 2004

	DSU Foundation	Lake Region Community College Foundation	MaSU Alumni Foundation	MiSU-B Development Foundation	NDSCS Development Foundation	VCSU Foundation	WSC Foundation	Total
ASSETS								
Current Assets:								
Cash and Cash Equivalents	$ 367,528	$ -	$ 617,832	$ 66,994	$ 1,794,238	$ 509,589	$ 844,508	$ 4,200,689
Accounts Receivable - Net	243,193	44,708	56,404	3,804	-	135,079	13,572	496,760
Other Current Assets	104,095	57	1,629	-	-	1,699	274,159	381,639
Total Current Assets	714,816	44,765	675,865	70,798	1,794,238	646,367	1,132,239	5,079,088
Noncurrent Assets:								
Investments	4,971,758	2,115,422	965,415	1,354,740	6,006,880	1,803,635	4,106,092	21,323,942
Restricted Investments	749,286	-	-	-	-	-	43,025	792,311
Other Noncurrent Assets	-	-	-	-	-	170,181	-	170,181
Capital Assets:								
Land and Construction in Progress	37,327	-	-	-	196,408	-	7,890	241,625
Buildings and Equipment -Net	194,974	-	-	-	145,466	3,110	477,680	821,230
Total Noncurrent Assets	5,953,345	2,115,422	965,415	1,354,740	6,348,754	1,976,926	4,634,687	23,349,289
Total Assets	6,668,161	2,160,187	1,641,280	1,425,538	8,142,992	2,623,293	5,766,926	28,428,377
LIABILITIES								
Current Liabilities:								
Accounts Payable	734,150	-	5,925	-	164,741	11,327	-	916,143
Due to Primary Government	6,977	-	-	-	-	100,022	197,961	304,960
Notes Payable	-	-	-	-	39,430	-	50,000	89,430
Other Current Liabilities	-	-	-	-	750	-	-	750
Total Current Liabilities	741,127	-	5,925	-	204,921	111,349	247,961	1,311,283
Noncurrent Liabilities:								
Notes Payable	-	-	-	-	144,186	-	800,000	944,186
Other Noncurrent Liabilities	501,870	-	-	-		31,012	27,942	560,824
Total Noncurrent Liabilities	501,870	-	-	-	144,186	31,012	827,942	1,505,010
Total Liabilities	1,242,997	-	5,925	-	349,107	142,361	1,075,903	2,816,293
NET ASSETS								
Invested in Capital Assets, Net of Related Debt	232,301	-	-	-	158,258	3,110	485,570	879,239
Restricted for:								
Other	5,390,689	1,838,439	1,635,355	1,348,556	7,635,627	2,542,953	1,165,445	21,557,064
Unrestricted	(197,826)	321,748	-	76,982	-	(65,131)	3,040,008	3,175,781
Total Net Assets	$ 5,425,164	$ 2,160,187	$ 1,635,355	$ 1,425,538	$ 7,793,885	$ 2,480,932	$ 4,691,023	$ 25,612,084

STATE OF NORTH DAKOTA

Combining Statement of Activities
Nonmajor Component Units-Proprietary Funds
For the Fiscal Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue	Additions to Permanent Endowments	Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
DSU Foundation	$ 1,589,553	$ -	$ 2,753,215	1,163,662	$ -	$ 1,163,662	$ 4,261,502	$ 5,425,164
Lake Region Community College	545,923	60,656	377,256	(108,011)	34,102	(73,909)	2,234,096	2,160,187
MaSU Alumini Foundation	604,568	-	675,558	70,990	-	70,990	1,564,365	1,635,355
MISU-B Development Foundation	189,955	115,064	75,059	168	28,971	29,139	1,396,399	1,425,538
NDSCS Development Foundation	850,918	126,903	1,465,780	741,765	-	741,765	7,052,120	7,793,885
VCSU Foundation	648,665	58,561	717,891	127,787	272,010	399,797	2,081,135	2,480,932
WSC Foundation	2,213,327	344,437	1,020,547	(848,343)	-	(848,343)	5,539,366	4,691,023
Total Nonmajor Component Units	$ 6,642,909	$ 705,621	$ 7,085,306	$ 1,148,018	$ 335,083	$ 1,483,101	$ 24,128,983	$ 25,612,084

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
TABLE OF CONTENTS

STATISTICAL SECTION

Statistical Section Schedules That Are Not Applicable

General Governmental Expenditures (GAAP Basis) By Function - Last Ten Fiscal Years

General Governmental Revenues (GAAP Basis) By Source - Last Ten Fiscal Years

General Governmental Revenues (Budgetary Basis) By Source - Last Nine Fiscal Years (In Bienniums)

Computation of Legal Debt Limit

Ratio of Net General Obligation Bonded Debt To Net General Obligation Bonded Debt Per Capita – Last Ten Fiscal Years

Revenue Bond Coverage - Last Ten Fiscal Years

Population and Employment - Last Ten Calendar Years

Demographic Statistics - Last Ten Fiscal Years

Taxable Sales and Purchases and Total Federal Tax Liability - Last Ten Calendar Years

Public School Enrollment and Average Cost Per Pupil - Last Ten Academic Years

University System Full-Time Equivalent Student Enrollment - Last Ten Academic Years

Taxable Sales and Purchases By Industry - Last Ten Fiscal Years

Nonagricultural Wage and Salary Employees By Industry - Last Ten Calendar Years

Annual Average Salary Covered By Unemployment Insurance By Industry - Last Ten Calendar Years

Annual Crude Oil Production In North Dakota and Oil Price Per Barrel - Last Ten Calendar Years

Taxable Coal Production and Natural Gas Produced - Last Ten Fiscal Years

Value of Export Shares of Agricultural Commodities – 2002-2003

2003 Crop Rank Among States

Cash Receipts From Farm Marketings and Government Payments - 2000-2003

Claims Development Information - Last Ten Fiscal Years

Reconciliation of Claims Liabilities By Type of Contract - Last Two Fiscal Years

STATE OF NORTH DAKOTA
Statistical Section Schedules
That Are Not Applicable

The following schedules are not included in the Statistical Section for the reasons stated below:

Property Tax Levies and Collections

This schedule relates to property taxes, which the State does not assess.

Assessed and Estimated Actual Value of Taxable Property

This schedule relates to property taxes, which the State does not assess.

Property Tax Rates - All Overlapping Governments

This schedule relates to property taxes, which the State does not assess.

Special Assessment Billings and Collections

This schedule relates to special assessments, which the State does not assess.

Ratio of Annual Debt Service for General Bonded Debt to Total General Expenditures

The general obligation debt is supported fully by enterprise fund revenues.

Computation of Overlapping Debt

This schedule relates to property taxes, which the State does not assess.

Property Value and Construction

The information on property values and construction is not applicable as the State does not assess property taxes.

Principal Taxpayers

The disclosure of principal taxpayers is not permitted by state statute.

General Governmental Expenditures (GAAP Basis) By Function
Last Ten Fiscal Years
(Expressed In Thousands)

Expenditures By Function	1995	1996	1997	1998
General Government	$ 74,254	$ 76,034	$ 77,968	$ 78,414
Education	329,249	340,073	347,109	364,389
Health and Human Services	528,052	558,607	586,421	598,833
Regulatory	14,800	17,713	20,544	14,493
Public Safety & Corrections	47,240	54,443	97,498	149,811
Agriculture and Commerce	19,657	19,319	20,544	21,070
Natural Resources	38,249	42,402	34,905	31,561
Transportation	226,626	212,335	236,743	280,647
Intergovernmental - Revenue Sharing (2)	-	-	-	-
Capital Outlay	3,357	5,427	5,855	13,128
Debt Service:				
Principal	2,988	3,878	4,446	5,180
Interest and Other Charges	4,254	4,936	5,294	5,345
Advance Refunding Escrow	-	-	-	-
Total Expenditures By Function	$ 1,288,726	$ 1,335,167	$ 1,437,327	$ 1,562,871

General Governmental Revenues (GAAP Basis) By Source
Last Ten Fiscal Years
(Expressed In Thousands)

Revenues By Source	1995	1996	1997	1998
Taxes	$ 680,620	$ 722,954	$ 745,896	$ 802,456
Licenses and Permits	34,820	39,120	38,244	44,008
Intergovernmental	623,520	669,853	705,174	827,772
Sales and Service	34,888	30,403	36,090	36,420
Royalties and Rents	7,111	7,361	7,874	7,787
Fines and Forfeits	1,901	4,583	4,951	6,610
Interest	13,576	14,459	16,379	15,879
Tobacco Settlement	-	-	-	-
Commodity Assessment (3)	-	-	-	-
Miscellaneous	4,747	4,520	4,973	5,877
Total Revenues By Source	$ 1,401,183	$ 1,493,253	$ 1,559,581	$ 1,746,809

NOTES:
(1) General Government includes General, Special Revenue, Capital Projects, and Debt Service Fund.
(2) Prior to 2001, the revenue sharing was recorded in agency funds and not presented on the finanical statements. In 2001, these expenditures were included within General Government expenditures.
(3) Prior to 2002, these amounts were included within Licenses and Permits revenue.

Source: General Purpose/Basic Financial Statements

1999	2000	2001	2002	2003	2004
$ 92,534	$ 80,236	$ 230,999	$ 70,248	$ 76,539	$ 74,213
373,740	398,518	403,644	413,417	446,274	461,791
618,241	635,288	696,715	728,511	771,908	795,013
14,326	14,595	18,340	14,662	16,181	14,948
146,050	142,102	120,378	135,591	95,264	102,275
22,830	23,433	25,733	51,263	52,922	57,476
35,030	33,638	37,452	46,959	52,405	57,537
264,980	313,115	279,076	324,821	233,089	240,044
-	-	-	142,778	148,181	157,201
5,351	13,264	11,462	9,148	115,191	125,531
5,119	4,731	4,700	6,374	7,738	8,382
5,479	5,420	7,048	7,327	8,403	6,962
-	-	-	-		
$ 1,583,680	$ 1,664,340	$ 1,835,547	$ 1,951,099	$ 2,024,095	$ 2,101,373

1999	2000	2001	2002	2003	2004
$ 781,235	$ 838,306	$ 995,216	$ 952,538	$ 969,439	$ 1,039,165
44,995	52,373	67,454	90,298	89,763	100,503
808,529	914,839	879,058	918,932	969,097	1,011,334
32,684	34,564	36,933	39,297	38,360	44,430
4,742	6,624	9,083	17,918	21,204	25,480
10,034	6,909	3,017	10,892	10,746	15,355
15,528	17,907	23,630	4,289	32,458	84,295
-	16,475	12,620	26,781	26,856	22,983
-	-	-	9,444	10,221	11,897
2,703	5,565	2,597	3,091	4,190	5,411
$ 1,700,450	$ 1,893,562	$ 2,029,608	$ 2,073,480	$ 2,172,334	$ 2,360,853

General Governmental Revenues (Budgetary Basis) By Source
Last Nine Fiscal Years (In Bienniums)

Revenues By Source	1995-1997	1997-1999	1999-2001	2001-2003	2004
Sales and Use Tax	$ 605,471,019	$ 664,364,916	$ 722,181,696	$ 640,618,363	$ 338,942,963
Motor Vehicle Excise Tax	-	-	-	119,592,232	64,509,758
Individual Income Tax	315,516,252	358,287,825	409,331,437	396,153,000	212,892,523
Corporate Income Tax	99,347,937	123,420,219	99,134,868	88,417,166	40,257,083
Business Privilege Tax	3,854,132	6,494,162	5,464,941	6,257,389	2,646,071
Oil and Gas Production Tax	33,042,320	26,973,613	47,783,630	45,516,520	28,256,440
Oil Extraction Tax	21,987,655	16,703,114	27,395,668	24,048,705	15,291,025
Insurance Premium Tax	36,968,670	35,733,266	39,113,433	48,990,027	28,276,368
Cigarette, Cigar and Tobacco Tax	45,030,090	44,091,170	41,706,350	39,313,360	19,775,411
Wholesale Liquor Tax	10,339,078	11,140,328	10,321,999	11,155,834	5,909,958
Department Fees and Collections	28,737,207	41,193,364	40,816,171	57,506,019	82,587,547
Gaming Tax	22,848,486	22,801,868	27,437,507	27,612,652	12,853,297
Coal Severance Tax	22,245,267	22,596,137	22,173,854	-	-
Interest on Public Funds	15,554,914	19,013,889	20,832,123	8,509,483	2,332,988
Coal Conversion Tax	24,064,781	23,786,790	25,672,170	46,878,511	24,432,816
Mineral Leasing Fees	5,629,526	7,257,989	9,531,698	6,440,513	3,385,323
Bank of North Dakota Profits - Transfer	50,214,540	29,600,000	50,000,000	78,699,787	30,000,000
Mill and Elevator Profits - Transfer	1,000,000	3,000,000	3,000,000	6,000,000	-
Gas Tax Administration - Transfer	1,071,878	1,128,872	1,380,608	1,363,392	698,100
Other Transfers	38,445,224	36,713,873	6,522,115	24,370,511	43,104,215
Total Revenues By Source	$1,381,368,976	$1,494,301,395	$1,609,800,268	###########	$ 956,151,886

Notes: General Government Includes Principally Appropriated "General Fund".

Source: Office of Management and Budget

Computation Of Legal Debt Limit

The state may issue or guarantee the payment of bonds, provided that all bonds in excess of two million dollars shall be secured by first mortgage upon real estate in amounts not to exceed sixty-five percent of its value; or upon real and personal property of state-owned utilities, enterprises, or industries, in amounts not exceeding its value, and provided further, that the state shall not issue or guarantee bonds upon property of state-owned utilities, enterprises, or industries in excess of ten million dollars.

No further indebtedness shall be incurred by the state unless evidenced by a bond issue, which shall be authorized by law for certain purposes, to be clearly defined. Every law authorizing a bond issue shall provide for levying an annual tax, or make other provision, sufficient to pay the interest semiannually, and the principal within thirty years from the date of the issue of such bonds and shall specially appropriate the proceeds of such tax, or of such other provisions to the payment of said principal and interest, and such appropriation shall not be repealed nor the tax or other provisions discontinued until such debt, both principal and interest, shall have been paid. No debt in excess of the limit named herein shall be incurred except for the purpose of repelling invasion, suppressing insurrection, defending the state in time of war or to provide for the public defense in case of threatened hostilities.

The State is in compliance with the Legal Debt Margin.

Source: North Dakota Constitution, Art. X, Section 13.

Ratio Of Net General Obligation Bonded Debt To Net General Obligation Bonded Debt Per Capita (1) Last Ten Fiscal Years

Fiscal Year	Population (2)	Gross Bonded Debt (3)	Less Payable From Enterprise Revenues	Net Bonded Debt	Net Bonded Debt Per Capita
1995	641,548	$ 39,045,747	$ 15,888,554	$ 23,157,193	$ 36.10
1996	642,858	38,834,919	38,834,919	-	-
1997	640,945	33,083,824	33,083,824	-	-
1998	637,808	31,441,073	31,441,073	-	-
1999	633,666	-	-	-	-
2000	642,200	-	-	-	-
2001	636,285	-	-	-	-
2002	633,911	-	-	-	-
2003	633,837	-	-	-	-
2004	633,837	-	-	-	-

Note:
1) Assessed Value; Debt Payable From Enterprise Revenues; and Ratio of Net Bonded Debt Per Capita are not applicable because they relate to property taxes, which the state does not assess.
2) Estimated population for 2004
3) The State has had no General Obligation Bonded Debt since Fiscal Year 1998.

Source: Real Estate Trust
Job Service of North Dakota

Revenue Bond Coverage
Last Ten Fiscal Years

MUNICIPAL BOND BANK (1)

Fiscal Year	Gross Revenues	Principal Proceeds	Direct Operating Expenses (3)	Net Revenue Available For Debt Service	Debt Service Requirements: Principal	Interest	Total	Coverage
1994	$ 5,809,000	$ 6,586,000	$ 444,000	$ 11,951,000	$ 6,076,000	$ 5,048,000	$ 11,124,000	1.07
1995	6,312,000	5,654,000	808,000	11,158,000	5,398,000	5,363,000	10,761,000	1.04
1996	6,784,000	9,020,000	966,000	14,838,000	6,675,000	5,390,000	12,065,000	1.23
1997	8,872,000	10,108,000	1,124,000	17,856,000	8,987,000	7,198,000	16,185,000	1.10
1998	9,278,000	7,217,000	963,000	15,532,000	12,694,000	7,297,000	19,991,000	0.78
1999	10,991,000	8,763,000	1,510,000	18,244,000	18,446,000	8,146,000	26,592,000	0.69
2000	12,286,000	9,574,000	2,114,000	19,746,000	9,495,000	8,297,000	17,792,000	1.11
2001	5,713,000	12,739,000	787,000	17,665,000	24,205,000	9,484,000	33,689,000	0.52
2002	6,122,000	10,524,000	1,369,000	15,277,000	7,160,000	8,079,000	15,239,000	1.00
2003	7,177,000	11,763,000	1,562,000	17,378,000	31,619,000	7,786,000	39,405,000	0.44

STUDENT LOAN TRUST

Fiscal Year	Gross Revenues	Principal Proceeds	Direct Operating Expenses (3)	Net Revenue Available For Debt Service	Debt Service Requirements: Principal	Interest	Total	Coverage
1995	$ 20,760,838	$ 19,957,007	$ 4,806,235	$ 35,911,610	$ 25,942,600	$ 13,794,767	$ 39,737,367	0.90
1996	18,779,343	18,777,976	3,921,272	33,636,047	33,249,575	12,215,511	45,465,086	0.74
1997	18,312,200	20,190,543	5,069,338	33,433,405	39,583,541	10,844,752	50,428,293	0.66
1998	17,923,460	19,922,911	4,097,138	33,749,233	68,048,100	8,989,815	77,037,915	0.44
1999	16,380,006	24,048,907	4,636,162	35,792,751	57,909,900	7,433,534	65,343,434	0.55
2000	15,835,171	20,532,117	6,374,651	29,992,637	1,496,326	4,933,589	6,429,915	4.66
2001	17,732,535	20,285,499	5,936,696	32,081,338	1,749,449	7,594,712	9,344,161	3.43
2002	12,646,000	19,096,000	3,808,000	27,934,000	27,082,000	5,430,000	32,512,000	0.86
2003	10,663,000	32,257,000	4,583,000	38,337,000	63,855,000	2,629,000	66,484,000	0.58
2004	12,460,000	37,884,000	6,406,000	43,938,000	1,000,000	1,750,000	2,750,000	15.98

HOUSING FINANCE AGENCY

Fiscal Year	Gross Revenues	Principal Proceeds	Direct Operating Expenses (3)	Net Revenue Available For Debt Service	Debt Service Requirements: Principal	Interest	Total	Coverage
1995	$ 36,433,000	$ 38,240,000	$ 13,206,000	$ 61,467,000	$ 68,565,000	$ 22,440,000	$ 91,005,000	0.68
1996	41,877,000	25,540,000	13,396,000	54,021,000	78,754,000	25,269,000	104,023,000	0.52
1997	46,084,000	27,371,000	14,182,000	59,273,000	113,421,000	27,565,000	140,986,000	0.42
1998	53,699,000	43,806,000	16,232,000	81,273,000	122,684,000	31,520,000	154,204,000	0.53
1999	56,512,000	51,218,000	13,577,000	94,153,000	149,683,000	38,980,000	188,663,000	0.50
2000	60,068,000	48,430,000	14,636,000	93,862,000	176,339,000	38,963,000	215,302,000	0.44
2001	69,613,000	50,506,000	17,526,000	102,593,000	173,550,000	43,121,000	216,671,000	0.47
2002	66,734,000	75,721,000	13,000,000	129,455,000	207,465,000	46,450,000	253,915,000	0.51
2003	63,697,000	142,058,000	16,376,000	189,379,000	140,411,000	39,337,000	179,748,000	1.05
2004	52,016,000	150,145,000	16,512,000	185,649,000	177,594,000	33,115,000	210,709,000	0.88

STATE FAIR ASSOCIATION (2)

Fiscal Year	Gross Revenues	Principal Proceeds	Direct Operating Expenses (3)	Net Revenue Available For Debt Service	Debt Service Requirements: Principal (4)	Interest	Total	Coverage
1994	$ 3,464,160	$ -	$ 2,299,643	$ 1,164,517	$ 185,000	$ 300,187	$ 485,187	2.40
1995	3,540,311	-	2,611,521	928,790	195,000	181,598	376,598	2.47
1996	3,171,361	-	2,729,123	442,238	195,000	174,772	369,772	1.20
1997	3,408,989	-	2,758,476	650,513	195,000	167,460	362,460	1.79
1998	3,749,664	-	2,752,836	996,828	195,000	159,660	354,660	2.81
1999	3,609,161	-	2,908,303	700,858	195,000	151,372	346,372	2.02
2000	3,475,814	-	3,020,232	455,582	195,000	142,598	337,598	1.35
2001	3,221,683	-	3,030,092	191,591	195,000	127,796	322,796	0.59
2002	3,448,061	-	3,150,042	298,019	-	93,010	93,010	3.20
2004	3,511,582	-	3,362,756	148,826	210,000	74,843	284,843	0.52

UNIVERSITY SYSTEM (5)

Fiscal Year	Gross Revenues	Principal Proceeds	Direct Operating Expenses (3)	Net Revenue Available For Debt Service	Debt Service Requirements: Principal	Interest	Total	Coverage
2002	$ 398,935,980	$ 54,829,544	$ 552,709,442	$ (98,943,918)	$ 15,509,175	$ 3,249,608	$ 18,758,783	(5.27)
2003	430,941,780	47,034,242	579,083,257	(101,107,235)	22,090,280	4,838,767	26,929,047	(3.75)
2004	484,761,680	69,003,654	619,035,327	(65,269,993)	12,689,507	5,508,951	18,198,458	-3.59

(1) Information presented for the Fiscal Year Ended December 31.
(2) Information presented for the Fiscal Year Ended September 30.
(3) Excludes Depreciation and Bond Interest Expense.
(4) Debt Service Requirements excludes Principal Payments on Refunded Bonds.
(5) Information presented for three years only as 2002 was the first year presented as an Enterprise Fund

Population And Employment
Last Ten Calendar Years

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Population (1)	639,762	641,548	642,858	640,945	637,808	633,666	642,200	636,285	633,911	633,837
Employed	323,508	324,613	333,616	338,691	335,212	325,366	334,773	335,013	330,013	332,725
Unemployed	13,063	10,983	10,558	8,848	11,053	11,456	10,520	9,934	13,788	13,746
Total Labor Force	336,571	335,596	344,174	347,539	346,265	336,822	345,293	344,947	343,801	346,471
N.D. Unemployment Rate	3.9%	3.3%	3.1%	2.5%	3.2%	3.4%	3.0%	2.9%	4.0%	4.0%
U.S. Unemployment Rate	6.1%	5.6%	5.4%	4.9%	4.5%	4.2%	4.0%	4.7%	5.8%	6.0%

Source: Job Service North Dakota

Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	(1) Population	(2) Per Capita Income	(3) School Enrollment	Unemployment Rate
1995	641,548	18,865	118,606	3.3%
1996	642,858	21,068	117,816	3.1%
1997	640,945	20,686	116,103	2.5%
1998	637,808	22,872	113,929	3.2%
1999	633,666	23,180	111,705	3.4%
2000	642,200	25,109	108,094	3.0%
2001	636,285	25,884	105,214	2.8%
2002	633,911	26,471	103,013	4.0%
2003	633,837	28,521	101,137	4.0%
2004	N/A	N/A	99,324	N/A

Source: Job Service North Dakota
North Dakota Department of Public Instruction

N/A: Not Available

(1) Population Estimates are from Job Service of North Dakota.
(2) Preliminary figure for 2003 per capital income.
(3) Kindergarten through 12th grade.

Taxable Sales And Purchases
And Total Federal Tax Liability
Last Ten Calendar Years

Calendar Year	Total Taxable Sales And Purchases	Individual Income Total Federal Tax Liability
1994	$ 5,570,199,514	$ 1,242,598,318
1995	5,798,621,358	1,362,289,677
1996	6,093,815,356	1,621,769,127
1997	6,403,545,513	1,709,146,792
1998	6,476,111,865	1,936,103,525
1999	6,863,857,581	2,202,315,184
2000	6,826,387,672	2,354,866,767
2001	7,147,128,090	2,465,136,000
2002	7,044,743,275	2,503,952,000
2003	7,347,458,242	N/A

Sources: Office of State Tax Commissioner
IRS SOI Gross Collections by State FY 02

N/A: Not Available

Public School Enrollment And Average Cost Per Pupil
Last Ten Academic Years

Academic Year	Kindergarten	Grades 1-3	Grades 4-6	Grades 7-8	Grades 9-12	Total Enrollment	Special Education Students Served
1995-96	8,600	26,097	27,492	19,636	36,781	118,606	12,355
1996-97	8,304	25,766	26,814	19,255	37,677	117,816	12,667
1997-98	8,177	25,204	26,037	18,740	37,945	116,103	12,858
1998-99	7,917	24,546	25,411	18,318	37,737	113,929	13,138
1999-00	7,559	23,930	24,989	17,652	37,575	111,705	13,572
2000-01	7,144	22,999	24,289	17,099	36,563	108,094	13,650
2001-02	7,057	22,108	23,652	16,880	35,517	105,214	13,630
2002-03	7,012	21,473	23,241	16,514	34,773	103,013	13,901
2003-04	6,890	21,229	22,645	16,287	34,086	101,137	13,868
2004-05	6,641	21,115	22,109	16,148	33,311	99,324	N/A

Academic Year	Average Daily Membership	Total Cost Of Education	Average cost Per Pupil
1994-95	120,440	$ 463,428,366	$ 3,848
1995-96	120,538	484,073,788	4,016
1996-97	119,895	506,338,348	4,223
1997-98	117,996	526,786,165	4,464
1998-99	115,987	550,557,935	4,747
1999-00	113,541	583,207,969	5,137
2000-01	110,710	608,196,419	5,494
2001-02	107,823	625,247,474	5,799
2002-03	105,512	667,881,068	6,330
2003-04	N/A	N/A	N/A

N/A: Not Available

Source: Department of Public Instruction

University System Full-Time Equivalent Student Enrollment
Last Ten Academic Years

	1995 FTE	1996 FTE	1997 FTE	1998 FTE	1999 FTE	2000 FTE	2001 FTE	2002 FTE	2003 FTE	2004 FTE
Bismarck State College	1,795	1,932	2,001	2,082	2,181	2,126	2,320	2,384	2,575	2,625
Dickinson State University	1,373	1,459	1,470	1,484	1,535	1,592	1,637	1,818	1,867	1,907
Lake Region State College	479	437	439	492	474	491	624	652	693	692
Mayville State University	739	723	635	643	651	644	620	616	657	713
Minot State University	3,134	2,964	2,727	2,597	2,588	2,491	2,739	2,789	2,840	2,844
MiSU - Bottineau	337	369	389	410	467	394	389	447	443	419
ND State College Of Science	2,259	2,340	2,271	2,219	2,139	2,276	2,106	2,112	2,177	2,129
North Dakota State University	8,196	8,190	8,079	8,142	8,253	8,469	9,056	9,368	9,701	10,073
University of North Dakota	9,390	9,221	8,725	8,684	8,911	9,302	9,906	10,458	11,073	11,185
Valley City State University	929	932	879	903	896	910	841	864	824	896
Williston State College	714	702	663	592	615	550	579	611	659	665
Total	29,345	29,269	28,278	28,248	28,710	29,245	30,817	32,119	33,509	34,148

Note: Full-Time Equivalent Enrollment is based upon student credit hours.

Source: North Dakota University System

Taxable Sales And Purchases By Industry
Last Ten Fiscal Years

Fiscal Years	Mining And Oil Extraction	Construction	Manufacturing	Transportation, Communications And Public Utilities	Wholesale	Retail	Services	Misc.	Fiscal Year Total
1995	$ 44,211,472	$ 159,511,640	$ 259,929,870	$ 406,377,996	$ 1,167,948,890	$ 3,020,031,055	$ 542,770,796	$ 31,281,299	$ 5,632,063,018
1996	44,787,355	160,435,468	277,474,861	448,984,237	1,265,500,733	3,119,107,791	580,017,504	47,816,164	5,944,124,113
1997	43,657,614	172,651,400	283,830,227	468,807,352	1,335,642,900	3,217,013,893	611,608,449	36,889,331	6,170,101,166
1998	45,704,201	190,953,879	311,172,120	530,697,438	1,348,847,569	3,410,886,443	655,596,265	42,366,524	6,536,224,439
1999	31,757,153	343,461,168	344,021,173	498,876,964	1,286,510,874	3,407,541,628	659,377,754	53,571,680	6,625,118,394
2000	37,128,911	324,055,893	331,107,834	520,249,975	1,371,047,248	3,587,999,334	683,652,769	46,123,347	6,901,365,311
2001	46,376,629	175,502,906	310,401,607	659,367,459	1,454,435,989	3,557,719,719	685,894,218	46,209,173	6,935,907,700
2002	46,408,362	183,876,188	310,053,868	599,641,011	1,474,694,907	3,768,438,609	708,635,488	60,128,993	7,151,877,426
2003	57,410,837	176,634,221	297,930,174	648,627,210	1,220,077,418	3,847,762,942	715,890,346	69,892,481	7,034,225,629
2004	59,521,970	218,478,887	325,717,286	763,314,774	1,387,931,535	4,097,170,017	763,810,335	64,078,624	7,680,023,428
Fiscal Years - Percentage Change									
1995	-8.3%	20.6%	6.9%	2.3%	3.7%	5.1%	7.5%	9.5%	5.2%
1996	1.3%	0.6%	6.7%	10.5%	8.4%	3.3%	6.9%	52.9%	5.5%
1997	-2.5%	7.6%	2.3%	4.4%	5.5%	3.1%	5.4%	-22.9%	3.8%
1998	4.7%	10.6%	9.6%	13.2%	1.0%	6.0%	7.2%	14.8%	5.9%
1999	-30.5%	79.9%	10.6%	-6.0%	-4.6%	-0.1%	0.6%	26.4%	1.4%
2000	16.9%	-5.6%	-3.8%	4.3%	6.6%	5.3%	3.7%	-13.9%	4.2%
2001	24.9%	-45.8%	-6.3%	26.7%	6.1%	-0.8%	0.3%	0.2%	0.5%
2002	0.1%	4.8%	-0.1%	-9.1%	1.4%	5.9%	3.3%	30.1%	3.1%
2003	23.7%	-3.9%	-3.9%	8.2%	-17.3%	2.1%	1.0%	16.2%	-1.6%
2004	3.7%	23.7%	9.3%	17.7%	13.8%	6.5%	6.7%	-8.3%	9.2%

Source: Office of State Tax Commissioner

Nonagricultural Wage And Salary Employees By Industry
Last Ten Calendar Years

Industry	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Construction	12,850	13,450	14,850	15,000	15,600	16,800	15,850	15,400	15,100	15,900
Educational and Health Services	41,700	42,450	43,150	43,900	44,550	44,550	45,050	46,000	46,700	47,550
Financial Activities	14,200	14,300	14,800	14,950	15,650	16,250	16,750	16,900	18,050	18,400
Government	67,650	70,800	70,750	70,700	71,100	72,150	73,350	73,350	74,250	75,500
Information	6,550	7,000	7,050	7,300	7,800	8,200	8,450	8,450	7,950	7,700
Leisure and Hospitality	27,950	28,400	29,400	29,200	29,000	29,050	29,350	29,400	29,850	30,000
Manufacturing	19,700	20,150	20,550	22,100	22,550	22,800	23,900	24,050	23,700	23,450
Natural Resources & Mining	3,150	3,350	3,700	3,700	3,500	3,150	3,300	3,500	3,200	3,300
Other Services	14,850	14,750	14,900	15,250	15,100	15,400	15,300	15,250	15,250	15,300
Professional and Business Services	15,400	16,650	18,750	20,950	22,200	23,950	24,900	25,250	24,100	23,700
Retail Trade	38,650	39,250	39,900	40,350	41,000	41,050	41,100	40,700	40,650	40,900
Transportation, Warehousing and Utilities	15,050	13,650	13,000	12,300	12,950	12,000	11,950	13,000	13,000	13,050
Wholesale Trade	17,000	17,500	17,850	18,250	18,400	18,500	18,350	18,350	18,000	17,950
Total	294,700	301,700	308,650	313,950	319,400	323,850	327,600	329,600	329,800	332,700

Source: Job Service North Dakota

Note: Does not include self-employed or unpaid workers.

Annual Average Salary Covered By Unemployment Insurance
By Industry
Last Ten Calendar Years

Sector	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total Nonfarm Average	$ 19,893	$ 20,493	$ 21,236	$ 22,045	$ 22,993	$ 23,750	$ 24,683	$ 25,707	$ 26,550	$ 27,629
Construction	23,409	24,879	26,608	27,305	28,782	31,454	31,343	31,903	31,862	32,551
Educational and Health Services	21,058	21,931	22,759	23,484	24,031	24,637	25,712	27,037	28,270	29,202
Financial Activities	23,387	24,408	25,275	26,468	27,555	28,383	29,924	31,250	31,927	33,614
Government	22,248	22,779	23,397	24,147	24,964	25,404	26,362	27,284	28,283	29,361
Information	23,197	23,364	24,533	26,368	27,752	28,463	31,303	32,227	34,227	37,230
Leisure and Hospitality	7,502	7,718	7,980	8,492	8,769	9,209	9,579	9,229	9,582	9,856
Manufacturing	24,579	25,183	26,672	27,531	29,126	29,873	30,614	31,618	32,474	34,082
Natural Resources & Mining	28,698	29,332	30,172	31,897	33,099	33,782	35,286	37,742	38,549	39,197
Other Services	12,538	13,374	13,860	14,740	15,118	15,582	16,332	17,229	17,606	18,590
Professional and Business Services	20,823	21,003	20,988	21,022	22,581	24,059	25,104	25,944	27,511	28,790
Retail Trade	14,321	14,668	15,162	15,851	16,378	16,789	17,410	18,198	18,776	19,268
Transportation, Warehousing and Utilities	29,603	30,219	30,864	32,563	34,357	33,883	35,219	37,034	37,587	39,304
Wholesale Trade	25,712	26,245	27,379	28,439	29,896	31,023	32,467	33,237	34,493	36,126

Source: Job Service North Dakota

Annual Crude Oil Production In North Dakota And Oil Price Per Barrel Last Ten Calendar Years

Calendar Year	Crude Oil Barrels	Crude Oil Average Price Per Barrel
1994	27,690,412	15
1995	29,335,924	16
1996	32,311,349	19
1997	35,837,784	17
1998	35,517,552	10
1999	32,882,182	15
2000	32,714,522	26
2001	31,691,652	21
2002	30,799,563	21
2003	29,405,942	26

Source: North Dakota Industrial Commission, Oil and Gas Division

Taxable Coal Production And Natural Gas Produced Last Ten Fiscal Years

Fiscal Years	Coal Production (Coal Tons)	Gas Produced (Cubic Feet)
1995	31,587,000	58,696,404,000
1996	29,512,000	55,532,370,000
1997	29,602,000	55,650,616,000
1998	29,552,000	57,197,152,000
1999	30,927,000	51,791,380,000
2000	31,159,000	56,326,543,000
2001	30,497,000	56,612,387,000
2002	30,667,000	58,969,302,000
2003	31,116,000	58,454,779,000
2004	31,122,000	59,962,232,000

Sources: Office of State Tax Commissioner
North Dakota Industrial Commission, Oil and Gas Division

Value of Export Shares of Agricultural Commodities - 2002-2003 (1)

	2002 Dollars (Mil.)	2002 % of U.S.	2003 Dollars (Mil.)	2003 % of U.S.
Wheat and Products	$ 558.2	11.7	582.3	10.9
Soybeans and Products	179.1	2.4	261.0	3.1
Vegetables and Preparations	123.0	2.7	120.6	2.6
Feeds Grains and Products	94.1	43.1	106.9	1.6
Sunflower Seed and Oil	88.6	1.3	81.1	69.3
Feeds and Fodder	43.7	2.2	56.4	2.8
Seeds	27.1	3.2	35.5	4.4
Live Animals and Meats Excluding Poultry	7.7	0.1	6.8	0.1
Poultry and Products	1.3	0.1	1.5	0.1
Hides and Skins	0.6	--	0.7	0.0
Fats, Oils and Greases	0.2	--	0.2	0.0
Dairy Products	-	--	-	
Other (2)	810.1	5.3	514.3	8.3
Total (3)	$ 1,933.7	3.6	$ 1,767.3	3.1

Sources: Foreign Agricultural Trade of U.S. - E.R.S.
North Dakota Agricultural Statistics 2004

(1) State Agricultural Exports estimates were based on North Dakota's production or sales of individual commodities reported by the National Agricultural Statistics Service (NASS). It is assumed that each state received export revenues in the same proportion as its production.
(2) Includes minor oilseeds, sugar, confectionery, and tropical products, nursery & greenhose, essential oils, beverages, exc. Juice, and other misc. vegetable products.
(3) Totals may not add due to rounding.

2003 Crop Rank Among States

North Dakota Ranks	Crop Description	North Dakota Produces
1st	Flaxseed	95%
	Canola	90%
	Oil Sunflowers	59%
	All Sunflowers	57%
	Non-oil Sunflowers	48%
	Durum Wheat	60%
	Pinto Beans	56%
	Dry Edible Peas	53%
	Navy Beans	46%
	Spring Wheat	47%
	All Dry Edible Beans	35%
	Barley	43%
	Oats	15%
2nd	All Wheat	14%
	Lentils	26%
	Honey	16%
3rd	Sugarbeets	17%
	Rye	8%

Source: North Dakota Agricultural Statistics 2004

Cash Receipts From
Farm Marketings and Government Payments - 2000-2003

Item	2000	2001	2002	2003	2003 Pct. Of Total (1)
	Thousand Dollars				
Crops (1)	$ 2,086,967	$ 2,186,920	$ 2,546,476	$ 2,907,322	65.6%
Food Grains	761,465	776,056	858,592	948,384	21.4
Wheat	759,845	775,487	858,195	947,652	21.4
Rye	1,620	569	397	732	-
Feed Crops	327,776	344,160	388,446	541,609	12.2
Barley	115,719	147,014	127,351	238,158	5.4
Corn	145,943	125,802	193,037	228,419	5.2
Hay	60,667	63,861	59,180	64,899	1.5
Oats	5,447	7,483	8,878	10,132	0.2
Oil Crops	555,981	604,800	794,429	922,619	20.8
Soybeans	241,896	258,657	375,006	514,048	11.6
Sunflower	161,945	149,598	179,506	192,783	4.4
Canola	112,962	148,615	163,993	143,332	3.2
Flaxseed	32,681	42,878	67,161	59,508	1.3
Miscellaneous	6,497	5,052	8,763	12,948	0.3
Veg., Fruits, Nuts	231,603	245,597	290,734	280,473	6.3
Dry Beans	94,784	104,837	138,159	132,812	3.0
Potatoes	122,748	124,922	129,243	117,272	2.6
Dry Peas	5,918	8,164	13,407	14,955	0.3
Lentils	6,468	5,789	5,739	9,290	0.2
Miscellaneous	1,685	1,885	4,186	6,144	0.1
Other Crops	210,141	216,307	214,275	214,237	4.8
Sugarbeets	193,801	197,769	196,759	196,759	4.4
Miscellaneous	16,340	18,538	17,516	17,478	0.4
Livestock	661,254	787,906	797,520	870,197	19.7%
Meat Animals	521,817	639,163	652,453	727,888	16.4
Cattle And Calves	466,393	585,742	612,180	690,249	15.6
Hogs	47,891	47,917	32,704	30,252	0.7
Sheep and Lambs	7,533	5,504	7,569	7,387	0.2
Dairy Products	76,275	89,744	68,676	66,246	1.5
Poultry and Eggs	18,758	17,599	18,834	13,041	0.3
Turkeys	16,690	14,728	16,365	10,023	0.2
Eggs and Other Poultry	2,068	2,871	2,469	3,018	0.1
Miscellaneous Livestock	44,404	41,400	57,557	63,022	1.4
Honey	19,665	18,547	35,040	40,229	0.9
Wool	229	270	474	390	-
Other Livestock	24,510	22,583	22,043	22,403	0.5
TOTAL CROPS & LIVESTOCK (1)	2,748,221	2,974,826	3,343,996	3,777,519	85.3%
GOVERNMENT PAYMENTS	1,170,234	944,591	381,658	651,968	14.7%
GRAND TOTAL	$ 3,918,455	$ 3,919,417	$ 3,725,654	$ 4,429,487	100.0%

Source: North Dakota Agricultural Statistics 2004

(1) Items May Not Add Due to Rounding

Claims Development Information
Last Ten Fiscal Years

The following tables illustrate how the individual funds' earned revenues and investment income compare to related costs of loss and other expenses assumed by the funds as of the end of each of the last ten years. The rows of the tables are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operation costs of the fund including overhead and claims expense not allocable to individual claims. (3) This line shows the funds' incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (4) This section of 10 columns shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This section of 10 columns shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received regarding unknown claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the tables show data for successive policy years (expressed in thousands).

Claims Development Information
Last Ten Fiscal Years
(Expressed In Thousands)

Bonding Fund

	Fiscal And Policy Year Ended									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1 Net Earned Required Contribution and Investment Revenues	$ 161	$ 305	$ 370	$ 633	$ 479	$ 637	$ 116	$ (50)	$ 405	$ 448
2 Unallocated Expenses	59	68	63	205	79	84	93	45	58	42
3 Estimated Incurred Claims and Expense, End of Policy Year	249	325	91	128	229	60	71	26	259	253
4 Paid (Cumulative) as of:										
End of Policy Year	249	11	91	18	(29)	(22)	(32)	(100)	(107)	(85)
One Year Later	249	11	91	18	(29)	(22)	(32)	(100)	(107)	
Two Years Later	249	11	91	18	(29)	(22)	(32)	(100)		
Three Years Later	249	11	91	18	(29)	(22)	(32)			
Four Years Later	249	11	91	18	(29)	(22)				
Five Years Later	249	11	91	18	(29)					
Six Years Later	249	11	91	18						
Seven Years Later	249	11	91							
Eight Years Later	249	11								
Nine Years Later	249									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	309	11	91	128	229	60	71	26	259	253
One Year Later	309	11	91	128	229	60	71	26	259	
Two Years Later	309	11	91	128	229	60	71	26		
Three Years Later	309	11	91	128	229	60	71			
Four Years Later	309	11	91	128	229	60				
Five Years Later	309	11	91	128	229					
Six Years Later	309	11	91	128						
Seven Years Later	309	11	91							
Eight Years Later	309	11								
Nine Years Later	309									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	0	0	0	0	0	0	0	0	0	0

Claims Development Information
Last Ten Fiscal Years
(Expressed In Thousands)

Fire and Tornado Fund

	Fiscal And Policy Year Ended									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1 Net Earned Required Contribution and Investment Revenues	$ 3,349	$ 3,545	$ 3,946	$ 5,870	$ 4,787	$ 5,482	$ 4,540	$ 2,437	$ 6,646	$ 4,864
2 Unallocated Expenses	596	422	345	1,282	1,031	1,026	812	991	613	621
3 Estimated Incurred Claims and Expense, End of Policy Year	2,116	1,598	7,612	5,521	3,578	2,104	6,828	5,481	(2,523)	135
4 Paid (Cumulative) as of:										
End of Policy Year	448	(5)	3,143	345	(2,554)	303	269	(1,589)	(3,974)	(227)
One Year Later	448	(5)	3,143	345	(2,554)	303	269	(1,589)	(3,974)	
Two Years Later	448	(5)	3,143	345	(2,554)	303	269	(1,589)		
Three Years Later	448	(5)	3,143	345	(2,554)	303	269			
Four Years Later	448	(5)	3,143	345	(2,554)	303				
Five Years Later	448	(5)	3,143	345	(2,554)					
Six Years Later	448	(5)	3,143	345						
Seven Years Later	448	(5)	3,143							
Eight Years Later	448	(5)								
Nine Years Later	448									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	2,116	1,589	7,612	5,521	3,578	2,104	6,828	5,481	(2,523)	135
One Year Later	2,116	1,589	7,612	5,521	3,578	2,104	6,828	5,481	(2,523)	
Two Years Later	2,116	1,589	7,612	5,521	3,578	2,104	6,828	5,481		
Three Years Later	2,116	1,589	7,612	5,521	3,578	2,104	6,828			
Four Years Later	2,116	1,589	7,612	5,521	3,578	2,104				
Five Years Later	2,116	1,589	7,612	5,521	3,578					
Six Years Later	2,116	1,589	7,612	5,521						
Seven Years Later	2,116	1,589	7,612							
Eight Years Later	2,116	1,589								
Nine Years Later	2,116									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	0	0	0	0	0	0	0	0	0	0

Claims Development Information
Last Ten Fiscal Years
(Expressed In Thousands)

Workforce Safety & Insurance

	Fiscal And Policy Year Ended									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1 Net Earned Required Contribution and Investment Revenues	$ 162,772	$ 173,417	$ 209,594	$ 223,056	$ 178,654	$ 210,363	$ 117,222	$ 85,553	$ 175,459	$ 194,499
2 Unallocated Expenses	12,060	11,960	18,498	22,795	21,189	24,664	27,888	23,030	22,301	20,612
3 Estimated Incurred Claims and Expense, End Of Policy Year	106,081	94,160	84,551	89,020	92,130	80,505	82,905	80,567	92,605	102,850
4 Paid (Cumulative) as of:										
End of Policy Year	14,406	13,295	12,939	15,334	14,318	16,157	17,253	17,131	18,586	20,379
One Year Later	26,793	25,834	25,438	28,136	27,335	29,534	29,024	29,843	32,776	
Two Years Later	33,113	30,467	30,206	32,676	32,644	35,470	35,064	36,524		
Three Years Later	37,432	33,547	33,688	35,903	36,424	39,586	39,682			
Four Years Later	40,741	36,584	37,064	37,994	39,338	43,019				
Five Years Later	43,207	38,884	39,512	40,040	41,814					
Six Years Later	45,548	40,669	41,633	41,792						
Seven Years Later	47,706	42,514	43,326							
Eight Years Later	49,534	44,098								
Nine Years Later	51,388									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	106,081	94,160	84,551	89,020	92,130	80,505	82,905	80,567	92,605	102,850
One Year Later	96,838	89,357	86,080	89,100	83,830	80,075	80,801	83,597	93,210	
Two Years Later	91,740	85,720	85,940	81,641	82,404	78,893	83,161	83,314		
Three Years Later	88,905	85,350	78,143	79,747	77,070	81,221	83,516			
Four Years Later	87,775	76,888	76,523	70,397	79,270	79,101				
Five Years Later	83,384	76,903	71,733	72,497	81,085					
Six Years Later	79,787	68,248	73,533	70,363						
Seven Years Later	80,465	70,788	73,081							
Eight Years Later	86,585	73,620								
Nine Years Later	87,411									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	(18,670)	(20,540)	(11,470)	(18,657)	(11,045)	(1,404)	611	2,747	605	0

Reconciliation Of Claims Liabilities
By Type Of Contract
Last Two Fiscal Years
(Expressed In Thousands)

The Schedule Below Presents the Changes in Claims Liabilities for the Past Two Years by Type of Contract (Expressed in Thousands)

	Fire And Tornado		Bonding		Workforce Safety & Insurance	
	2004	2003	2004	2003	2004	2003
Unpaid Claims and Claims Adjustment Expenses at the Beginning of the Year	$ 1,451	$ 7,069	$ 366	$ 126	$ 577,500	$ 500,800
Incurred Claims and Claims Adjustment Expenses:						
Provision for Current Fiscal Year	135	(2,523)	253	259	102,850	92,605
Change in Provision for Prior Fiscal Year	-	-	-	-	31,645	133,442
Payments and Claims and Adjustment Expenses Attributable To:						
Current Fiscal Year Insured Events	227	3,974	85	107	(20,379)	(18,586)
Prior Fiscal Years Insured Events	(1,451)	(7,069)	(366)	(126)	(65,216)	(60,761)
Total Payments	(1,224)	(3,095)	(281)	(19)	(85,595)	(79,347)
Change in Provision for Discount	-	-		-	(22,300)	(70,000)
Other	-	-		-		-
Total Unpaid Claims and Claims Adjustment Expenses at the End of the Year	$ 362	$ 1,451	$ 338	$ 366	$ 604,100	$ 577,500

Source: Individual Financial Statements